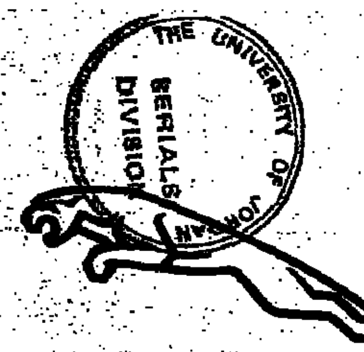
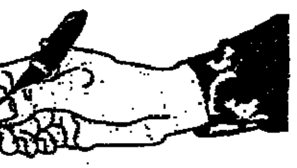


John Lloyd: *The Commonwealth cracks up in Kiev* **Page 15**

Jaguar: *Can Ford make it jump?* **Page 14**

UK Election 1992
- **The statistics war:** Martin Wolf separates fact and fiction Page 14
- **The Thatcher factor, again:** Page 9



Management: *Military men march on Civvy Street* **Page 11**

Surveys: *Nordic Finance and Investment; Cyprus* **Separate sections**

NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Monday March 23 1992 | EUROPE'S BUSINESS NEWSPAPER | D 8523A

Albania poll may end communists' grip on power

Albanians, jarred by their first troubled year of multi-party democracy, voted calmly in elections that could end communism's 48-year-grip on power.

Turnout was high in the capital, Tirana. But many voters delayed their arrival at polling stations until they had queued for bread distributed by the army – a daily necessity in the chaos that followed last year's poll. Page 18

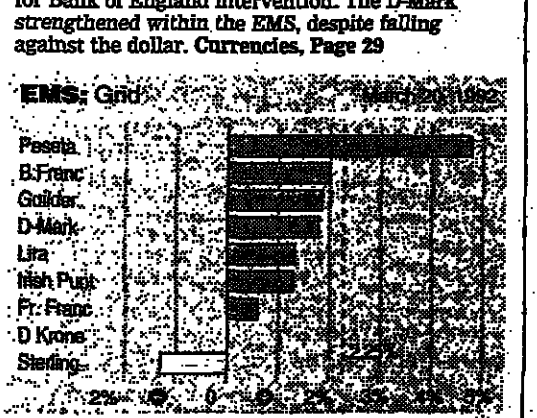
China aborts satellite launch
China was forced to postpone the launch of an Australian telecommunications satellite after its Long March-3 rocket failed to blast off. The satellite industry could now face delays and higher fees for launches and insurance. Page 18

Fifteen die in Turkish clashes
Fifteen people were killed in clashes between security forces and marchers in south-east Turkey where Kurdish rebels marked their new year with demands for an independent state. About 45 people died in a weekend of violence.

Brazil sacks 'green' minister: Brazil's President Fernando Collor sacked environment minister Jose Lutzenberger, one of the world's leading defenders of the Amazon rainforest, just two months before Brazil hosts a UN environment conference. Page 2

Fierce clashes in Croatia: Croats and Serbs fought fierce artillery duels near the eastern town of Osijek as more UN peacekeeping troops arrived to take up their positions. Page 3

European Monetary System: Sterling remained the weakest currency in the EMS, spending the week close to its effective floor against the top-placed peseta. Some buying interest at that level underpinned sterling without the need for Bank of England intervention. The D-Mark *strengthened within the EMS*, despite falling against the dollar. **Currencies, Page 29**



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

BA checks Concorde fleet: British Airways checked its fleet of seven Concordes after one of the supersonic jets landed in New York with a big chunk of its rudder missing, the third such incident in three years.

China's deficit soars: China budget deficit ballooned to record levels last year, putting severe financial limits on the country's capacity to fund the rapid economic development urged by elder statesman Deng Xiaoping. Page 5

Hong Kong watchdog chief quits: Robert Owen, chairman of Hong Kong's stock market watchdog, the Securities and Futures Commission, is to resign after overseeing three years of wide-ranging reforms. Page 6

Thai poll strengthens army grip: Politicians sympathetic to the army won about half the seats in the lower house of parliament in Thailand's general election, a qualified victory. Page 5

South Africa to execute 17: South Africa announced its first executions for two years amid a barrage of protests from anti-apartheid groups and human rights lawyers. The Justice Ministry said 17 criminals would be hanged "in due course."

Pakistan cancels bonds: Pakistan's central bank has cancelled plans to sell bearer bonds in the US and is deferring their sale in other countries after fears that the bonds could be used to launder drugs money. Page 17

EC threat to City success: The biggest threat to London's status as a leading financial centre comes from ill-conceived regulation, especially EC directives, says a City study. Page 17

EC split on defence: European Community industry ministers failed to agree on a policy towards the defence industry, which is suffering from over-capacity. Page 4

Pension fund challenge: The largest public pension fund in the US has told 10 big corporations it will vote against the re-election of directors if they do not pay more attention to shareholders' interests. Page 20

Jaguar chief retires: Bill Hayden, chairman and chief executive of Jaguar, the lossmaking subsidiary of Ford, is to retire at the end of the month. He will be replaced by Nick Scheele, Jaguar vice-chairman. Page 10

Lisbon party names leader: Manuel Monteiro, 29, was voted leader of Portugal's right-wing Christian Democrat party, succeeding Diogo Freitas do Amaral.

England win semi-final: England won their World Cup cricket semifinal against South Africa by 19 runs after rain interrupted the match. South Africa were left to score 21 runs off one ball. England 251-6 (45 overs). South Africa 232-6 (43). Page 10

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.60	Norway	NKr15.00	Switz	SFr3.80
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.00	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	L£1,250	Portugal	Es180		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

FINANCIAL TIMES © No 31,716 Week No 13

Exit polls show party is likely to secure less than 19% of the vote

Election humiliation for French Socialists

By Ian Davidson in Paris

FRANCE'S ruling Socialists suffered a humiliating defeat in yesterday's regional elections, losing well over one third of their popular support compared with the general elections of 1988.

The party appeared likely to have secured less than 19 per cent of the vote, according to exit polls, compared with 30 per cent in the previous regional elections of 1986 and 36 per cent in the last general elections of 1988.

The vote is expected to be a turning point for the government, since it vividly confirms the record-breaking slide in the popularity of Mrs Edith Cresson, the prime minister, since she was appointed in May.

However, the overall message of the vote was not just a swingeing setback for the Socialists, but a sweeping rejection of all the traditional parties of government.

As expected, the main innovation of the election was a double breakthrough by two protest groups, the extreme rightwing National Front and the ecology movements. The National Front scored an estimated 14 per cent of the national vote, well ahead of its share in any previous national election. The two ecological parties, the Greens and Génération Ecologie, together scored around 13-14 per cent.

The traditional conservative parties, the centre-right UDF umbrella grouping, and the Gaullist RPR party, together came out well ahead of the Socialists, with an estimated 34 per cent of the national vote.

However, this was significantly down on their score in the 1988 general elections (nearly 38 per cent) or the 1986 regional elections (nearly 40 per cent). Their failure to gain any votes from the discredited Socialists is a serious psychological setback. It will also make it more difficult for them to maintain their controlling position in certain regions.

The massive disavowal of the Socialist party, and the accompanying setback for the conservatives, were magnified by an unexpectedly high voting rate of around 66 per cent. Before the vote Socialist party officials had been discounting the significance of their expected setback on the grounds that the opinion polls were pointing to a very high abstention rate approaching 50 per cent, which would have favoured protest votes.

French premier Edith Cresson voting in the central town of Chatellerault where she is mayor

In national terms the Socialists' defeat is mainly indirect, since the direct significance of the elections is confined to France's 22 regional councils. Since the decentralisation policy of 1982, these have received extra powers over certain aspects of local policy, notably the building of secondary schools and professional training.

Nevertheless, it will be difficult for President François Mitterrand to ignore the result, and many commentators have predicted that he will feel obliged to change his prime minister or even the entire government.

The traditional conservative parties controlled 19 of the 22 regions in the outgoing regional council, and they have done considerably better than the Socialists in yesterday's elections. But the breakthrough by the protest parties may make it much more difficult for them to mobilise new governing majorities.

The central dilemma before each of the Regional Councils elects its president on Friday is whether to do a deal with the National Front.

Tatarstan vote poses threat to Yeltsin

By John Lloyd in Moscow

PRESIDENT Boris Yeltsin faces a challenge to the preservation of his vast Russian Federation following the weekend vote for self-rule by the oil-rich autonomous republic of Tatarstan.

The 61.4 per cent majority for self-rule in Saturday's vote was decisive enough to seriously embarrass the Russian government, especially Mr Yeltsin, who warned last week that the vote was "aimed at isolation from Russia", and constituted a dangerous step that would delay Russian reforms. Mr Mintimer Shamiyev, the Tatar president, has denied that the aim of the republic is to break away from Russia. However, Tatarstan is now likely to demand more economic and legislative autonomy than the Russian government can allow if it is not to set an awkward precedent.

The vote came the day after the summit of leaders of the Commonwealth of Independent States (CIS) in Kiev, which ended in acrimony and underlined the weakness of links now holding the members of the former Soviet Union together. The difficulties facing Mr Yeltsin in handling the republic's demands were underscored by the 37.2 per cent vote against self-rule, reflecting the influence of the local Russian population. Russians account for 42 per cent of the inhabitants and in Kazan, the capital, which has a Russian majority, the "no" vote was 51 per cent.

Republics face mounting crisis of cohesion ....Page 15

Mr Yeltsin's press office said yesterday that the signing of a federative treaty between Moscow and 18 of the 20 autonomous republics had been postponed until March 31 because of "organisational problems".

It was due to be concluded with a ceremony on Wednesday. But both Tatarstan and the Chechen republic – which has already declared independence – have refused to sign it, while the parliaments of the other republics have either still to approve it or have approved it only with amendments to be negotiated.

The Russian constitution, of which the treaty would be a central part, is due to come before the next session of the Russian Congress of Peoples' Deputies starting on April 6. Many voices in that Congress and in the Russian leadership will seek strong measures against Tatarstan because of the threat its decision poses to the new Russian state.

The republic of 4.5m people also has big aircraft plants and the world's biggest truck complex, the Kamaz plant on the Kama River.

Fault-lines spread, Page 15

Why the Financial Times has a new look

THE CHANGES to section one of the Financial Times today represent the latest in a series of design modifications aimed at improving the appearance and usefulness of the newspaper.

In order to increase typographical clarity, we have increased the space between lines of text throughout the newspaper.

We have also switched from an eight to a seven column grid on the front page, the back page of section one and on certain features pages. This will help us to display features and news reports more attractively. Compensating changes have meant that these improvements will not involve any loss of words.

The world news and business news summaries on the front page have been replaced by a single column summarising all prime news items of interest to FT readers. This column will continue to offer busy readers a two-minute world news briefing.

We have also sought to improve the signposting of various elements in the paper and to increase the orderliness of its five basic sections: international news, UK news, features, company news and market news.

In the coming months, this will enable us to add new features and to extend the statistical services of the newspaper.

We have tried to minimise changes to positions of regular items. From today, however, an expanded appointments column will appear in section one of the paper rather than on the back page of section two. It has been renamed People and can be found today on page 14. All the other changes are aimed at improving the appearance and readability of the newspaper.

A second phase in the redesign, mainly affecting section two, will appear in the autumn.

Readers dislike changes in their daily newspaper, and we have deliberately limited our redesign to the minimum necessary to achieve the goals of greater clarity and orderliness. All the same, it will take a little time to get used to the new look – especially the summary column on the front page, which is one of the newspaper's best read and most valued features. Our belief is that the benefits of the changes will become increasingly apparent in the coming months. We hope you will agree.

Richard Lambert

Olympia & York banks grant $87m emergency facility

By Robert Peston in London and Alan Friedman in New York

OLYMPIA & York, the Canadian property company, has been granted £50m ($87m) of emergency bank facilities to enable work to continue on Canary Wharf in the London Docklands, which is Europe's biggest ever development of new offices.

A consortium of banks, including Barclays and Lloyds of the UK, were encouraged by the Bank of England to put up the money.

A banker said the request for the funds was made early last week. Agreement has now been given, though the banks will not hand it all over in one lump.

"They will be able to draw on the funds as they need them, but only in consultation with the banks," said a banker. The facility is to last a few months.

The loan is secured on property at Canary Wharf and other assets. It has prior claim on O&Y's assets ahead of the main £500m loan for the construction of Canary Wharf, which was provided by 12 banks, most of which are involved in the new facility.

"The Canadian end [of O&Y] had been feeding the cash requirements of Canary Wharf," a banker involved in providing the new funds said yesterday. "But the cash ran out."

A banker said the sudden need for new UK money showed why O&Y needs to restructure its worldwide borrowings, estimated at considerably more than £5bn and provided by 70 banks.

An adviser to O&Y said: "The restructuring discussions are expected to proceed quickly." A meeting of the group's banks is likely to take place in the coming fortnight, probably in Toronto.

O&Y is expected to appoint JP Morgan, the US bank, to advise it on the debt reorganisation.

The property company will give details soon of other new bank facilities, totalling C$380m, ($320m) to replace commercial paper, or short-term securities. It has been forced to retire the commercial paper, as investors have become reluctant to invest in it.

A banker said yesterday that in any restructuring of the worldwide borrowings, O&Y would probably be given sufficient funds to finish the Canary Wharf buildings already begun. "If I have my way, they would have to shelve everything else," he said.

It has also emerged that Mr Pen Kent, a Bank director, funnelled information from O&Y and the Canadian central bank to Canary Wharf lenders.

Loan bid failure, Page 20

Tories enlist Thatcher to revive shaky campaign

By Philip Stephens, Political Editor, in London

THE British conservative party enlisted Mrs Margaret Thatcher, the former prime minister, yesterday to relaunch a faltering general election campaign after a clutch of weekend surveys confirmed that the Labour party had held on to a small lead in the opinion polls.

Mrs Thatcher's appearance alongside Mr John Major, the prime minister, at a London rally saw him mount the most harshly-worded attack of the campaign on Labour's tax policies and on Mr Neil Kinnock's leadership of the Labour party.

The joint onslaught by Mr Major and Mrs Thatcher, however, was dismissed by the opposition as a "panic" admission that Labour had seized the initiative. The former prime minister said: Everything that we have gained could so easily be lost unless we are returned for a fourth term."

Mr Kinnock, describing the opinion polls as "reassuring and encouraging" reaffirmed an earlier prediction that his party

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Collor sacks defender of Amazon rainforest

By Christina Lamb in Rio de Janeiro

PRESIDENT Fernando Collor of Brazil has sacked his environment minister, Mr Jose Lutzenberger, one of the world's leading defenders of the Amazon rainforest, just two months before Brazil is due to host the United Nations World Environment Conference.

The move comes after Mr Lutzenberger embarrassed the government by publicly accusing Ibama, the federal agency responsible for protecting the forest, of corruption and misuse of foreign funds.

Speaking in New York last week at a preparatory meeting for the UN conference, or Earth Summit, Mr Lutzenberger accused Ibama of working "as an agent for the woodchoppers" and distributing licences to chop down the Amazon. Irritated by the controversy, Mr Collor has also sacked the head of Ibama.

Ironically, despite Mr Lutzenberger's claims that Amazonian forest fires have been reduced during his tenure, the figures for last year are expected to show an increase. However, the main reason for his dismissal was Mr Collor's fear that Mr Lutzenberger would embarrass Brazil at the Earth Summit by resigning with an attack on the government.

Mr Lutzenberger, the most colourful figure in the Brazilian cabinet, is a world-renowned ecologist whose appointment as minister in 1990 was seen as a clever ploy by Mr Collor to stifle international criticism of Brazil's poor environmental record.

Brazilian government has found it difficult to form a coherent position for the Earth Summit

Known for his eccentric behaviour, he is no stranger to controversy. At the previous preparatory meeting in Geneva he sparked off a row by referring to the governor of Amazonas state as "a baboon" and calling the Brazilian military "the enemies of the environment" for opposing what they see as international interference in the Amazon.

Mr Lutzenberger achieved little in office other than to secure the demarcation of a reserve for the threatened Yanomami Indian population. He often admitted that he felt frustrated in government and it was thought to be only a matter of time before he resigned.

Mr Jose Goldemberg, the education minister, who takes over the post temporarily, admitted "there has been considerable divergence between the environmental position defended by our Foreign Office and Lutzenberger's declarations".

The government has had difficulty forming a coherent position to take to the summit. Mr Lutzenberger has not agreed with the Foreign Office emphasis on "sustainable development" as a solution to the Amazon problem, fearing it could be misused by those intent on exploitation.

The third minister to be dismissed in a month, he is likely to prove a weighty opponent, and may be more effective outside the government than in.

After being informed of his dismissal he said that were he not having to take penicillin he would be "drinking champagne". However, he added: "I also feel sad because I fear what may now happen in terms of devastation of the Amazon."

Brussels seeks deal on export of recyclable toxic waste

By Andrew Hill in Brussels

EC environment ministers will today try to agree a framework for the export of recyclable toxic waste, amid intense pressure from MEPs and environmental lobbyists to adopt tough restrictions.

Before the environment council begins, Mr Ken Collins, the British Labour MEP and chairman of the European parliament's influential environment committee, will put the MEPs' case directly to Mr Carlos Borrego, the Portuguese minister who will chair the meeting, and other ministers.

The parliament is calling for a ban on all exports of hazardous waste from the EC from the year 2000. The Community has already banned the export of waste to 69 developing countries in Africa, the Caribbean and Pacific (ACP).

The Commission also agrees to a total ban on the export of waste for final disposal. But it believes EC member states should be allowed to ship recyclable waste to countries which are members of the OECD and have ratified the Basle convention on waste shipments.

The Commission said on Friday that political agreement was possible today, but national officials believe the measure may be too complex to agree in a single meeting. A meeting of technical experts is expected at the same time in an attempt to resolve the more detailed problems.

Without the Commission's support, the parliament's powers to change the measure are limited, but MEPs could delay or disrupt the procedure when the directive is given a second reading.

Greenpeace, the environmental lobby group, warned last week of the dangers of "toxic colonialism" if the EC made any move to allow waste shipments to third countries on the basis merely of bilateral agreements. Such an approach could lead to developing non-ACP countries accepting waste which they did not know how to recycle safely, said the group.

Aylwin red-faced after spy disclosure

By Leslie Crawford in Santiago

THE disclosure of a secret police force that spied on military officers, trade union leaders and political opponents has seriously embarrassed President Patricio Aylwin's government in Chile.

Mr Aylwin is being accused of emulating the dictatorial practices of his predecessor, General Augusto Pinochet.

The spying scandal was disclosed by the Union of Independent Democrats (UDI), a small right-wing party best known for its loyalty to the former dictator. The scandal has allowed UDI to recapture the moral high-ground after being taunted for failing to defend human rights during Gen Pinochet's rule.

"This government was elected to correct the errors of the past, not to repeat them," Mr Jovino Novoa, UDI's president, said at the weekend.

The government has not contested the veracity of the classified documents that fell into the hands of its opponents.

Mr Horacio Toro, chief of Investigaciones, the civilian police force, was forced to resign on Friday. President Aylwin wrote to him saying: "Instructions issued under your orders ... have gravely damaged the credibility of this government in the field of civil liberties."

Few Chileans believe, however, that Mr Toro acted on his own initiative. UDI has called for a parliamentary inquiry to determine who gave Mr Toro his orders. The police chief's immediate boss is the home secretary, Mr Enrique Krauss, who is one of President Aylwin's closest advisers.

The documents revealed by UDI gave details of instructions to a "special branch" of Investigaciones to report monthly on the activities of the government's political and trade union opponents, including their family lives.

Of particular interest was a "Falcon Plan" to keep tabs on Gen Pinochet's meetings with business leaders and politicians.

President Bush (left) chats with German Chancellor Helmut Kohl at Camp David at the weekend. Germany is hoping the talks will help break the logjam in the Gatt talks

Clinton adds voice to calls for reform of Congress

By Jurek Martin, US Editor, in Washington

GOVERNOR Bill Clinton of Arkansas, overwhelming favourite to be the Democratic party's presidential nominee, yesterday added his voice to the calls for reform in the way the US Congress does business.

But he did so in a materially different way from President George Bush's demand that the solution lay in throwing out the Democrats from their long control of the legislature.

Interviewed on TV, Mr Clinton agreed that Congress was too entrenched in its way, was too subject to pressure from special interest groups, and probably enjoyed too many perks. But the real problem, he went on, was the lack of a real partnership between the president and Congress. The Reagan and Bush administrations had been so intent on confrontation that they had "let Congress drift in an unfortunate way".

It was, he said, typical that Mr Bush should veto, as announced on Friday, the latest economic reform package passed on Capitol Hill. It was a serious attempt to deal with real economic problems, Mr Clinton said, and inappropriate for the president to block it simply because it would have increased income taxes on the wealthiest Americans.

In the 1980s, he said, citing a recent report from the Congressional Budget Office, national income had been significantly redistributed in favour of the better-off. If president, he would ensure no repetition of this.

This represents Mr Clinton's first attempt to counter the latest tactic in the Bush strategy of declaring war on the Democrats in Congress. This is designed to capitalise on some of the scandals engulfing the legislature, which have in turn accentuated the mood against incumbent politicians. In calling for Congress to mend its ways, while putting much of the blame on the president, Mr Clinton hopes to rally the party behind him.

Concern over US steel maker

THE possible sale of the missile and aircraft divisions of LTV, the large bankrupt US steel maker, to France's Thomson-CSF should be reviewed because of its potential impact on national and economic security, the chairman and vice-chairman of the Senate Intelligence Committee havetold President George Bush, Nancy Dunne writes in Washington.

Similar concern was expressed in a letter to Mr Bush on March 10 from 40 senators of both parties, worried that foreign companies, backed by their governments, might obtain advanced technology.

The sale of LTV's aircraft and missiles division to Vought, a newly formed group jointly owned by Martin Marietta and Lockheed, could be jeopardised, the senators said, by "a pending higher offer" from Thomson-CSF, the French defence electronics group, and Carlyle Group, a Washington investment banking firm.

Although LTV and its union have accepted the Vought offer, there is concern that a federal bankruptcy court will require LTV to accept Thomson's higher offer.

The letter said Vought would operate as a single company, while under the Thomson-CSF plan, the aircraft and missiles division would be broken up.

Argentines hold four over bomb

ARGENTINE police arrested four people at the weekend in connection with the bombing that levelled the Israeli embassy, killing 28 people, Reuter reports from Buenos Aires.

People who witnessed the arrests said they believed the four, all men, were of Arab descent. Police made no official comment on the arrests and it was not known whether any charges had been brought against them.

The bombing on Tuesday destroyed the embassy and injured 225 people.

Mr Jose Luis Manzano, Argentina's interior minister, said last week that investigators believed a remote control device detonated the 100kg of explosives that were packed in a truck parked in front of the embassy.

The pro-Iranian Islamic Jihad, in a statement issued in Beirut, said it planted the bomb. The group said the attack had been to avenge Israel's killing last month of Hizbollah leader Sheikh Abbas Musawi. Initially Argentine police detained three men, but released them within hours.

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Bonn faces immigration setback

Pleas for Volga Germans to stay put in Russia fall on deaf ears

By Quentin Peel in Bonn

THE German government's campaign to persuade up to 2m ethnic Germans living in the former Soviet Union not to emigrate received a serious setback at the weekend.

Representatives of the so-called Volga German community called on both Russia and Germany urgently to draw up a plan to enable all who wish to leave to do so in three to five years.

They rejected promises by Mr Boris Yeltsin, the Russian president, to re-create the autonomous German homeland on the Volga river as amounting to "an effective refusal to take effective measures to recreate *German autonomy*".

The three-day congress of Volga Germans in Moscow heard an appeal by Mr Horst Waffenschmidt, the German state secretary for internal affairs, to accept the offer of a new homeland in Russia.

"The door to Germany is still open," he told the congress, "but I must say clearly and honestly that we can only accept a limited number of immigrants."

He was answered bluntly by Mr Heinrich Groth, chairman of the largest organisation of Volga Germans, called Rebirth: "All those who want to emigrate, must be allowed to emigrate."

'All those who want to emigrate must be allowed to emigrate'

Most of the Soviet Union's ethnic Germans were deported from the Volga region and Ukraine to Siberia and Kazakhstan by Stalin during the war. The slim chance that, in the present chaotic situation in Russia, they might be persuaded to resettle rather than opt for their constitutional right to return to Germany, seems now to have been undermined by Mr Yeltsin.

Although the Russian president promised in Bonn last year to re-establish the Volga republic, the reality seems decidedly unattractive. On a subsequent trip to Saratov, former capital of the Volga republic, he proposed resettling the community on the abandoned missile-testing site at Kapustin Yar – a clear sop to local Russian fears.

The prospect of mass immigration of anything up to 2m Volga Germans, many of whose ancestors came to Russia up to 200 years ago, is one which fills the authorities in Bonn with alarm.

The issue of asylum seekers in Germany, arriving in the country at more than 30,000 a month, is already causing political and social problems. The German authorities are extremely anxious not to see that immigration issue mixed up with the sensitive question of allowing ethnic Germans to return, which is enshrined in the constitution.

The country has seen a flood of Germans returning, initially from eastern Europe and increasingly from the former Soviet Union. Between 1989 and 1991 there were almost 1m, although the number fell from a peak of more than 397,000 in *1990 to almost 222,000 last year.*

Mr Waffenschmidt's brief is to offer substantial German government investment wherever the émigré communities can be persuaded to stay where they are.

Genscher expects EC to expand

By Andrew Fisher in Frankfurt

MR Hans-Dietrich Genscher, Germany's foreign minister, said at the weekend he expected Poland, Hungary and Czechoslovakia to become full members of the European Community this decade.

The timing would depend on the internal economic and political developments in these countries, he said.

Noting that these countries had treaties of association with the EC, Mr Genscher said the door must be held open for *later membership of the Baltic* nations and the successor states to Yugoslavia, as well as Romania and Bulgaria.

Commenting on progress towards European Monetary Union, he said this would not mean the end of the D-Mark but rather the extension of *German stability to the whole* EC – "thus a Euro-Mark".

It was important, he added, that the European central bank be sited in Frankfurt, home of the Bundesbank, which is a symbol of currency stability.

Hans-Dietrich Genscher: Community's door must be held open

Arrests follow Leipzig protests

GERMAN police said yesterday they had detained 67 people after anarchists, many of them masked, hurled rocks and smashed car windows at an anti-racism demonstration in the eastern city of Leipzig, Reuter reports.

Leipzig city police said 17 officers were slightly injured after 900 policemen, reinforced by paramilitary border guards, used water cannon and truncheons on Saturday to drive the 400 anarchists away from the city centre.

Witnesses saw several demonstrators with blood streaming down their faces from head wounds but the police did not give any figures for the num*ber hurt.*

A police helicopter was struck several times by fireworks hurled by the demonstrators. Anarchists set car tyres and rubbish containers alight as they fought behind hastily erected barricades.

Fifteen people were under investigation for illegal possession of arms and damaging property, police said.

The riot, the biggest in the former communist east Germany *since left-wingers fought* police in Halle last November, occurred after a peaceful demonstration by around 1,000 people.

Carrying banners saying "Foreigners in, Nazis out", they protested against another rally in the city organised by the National Offensive, an extreme right-wing group.

Police said they found a petrol bomb hidden in the square where the neo-Nazi rally was *to start later.*

Some 300 right-wingers chanting Adolf Hitler's slogan "One people, one Reich, one Führer" and giving the illegal Nazi salute later marched through central Leipzig.

More UN peacekeepers arrive in Yugoslavia

By Laura Silber in Belgrade

MORE United Nations peacekeepers arrived at the weekend to take up positions in war-torn regions of Croatia amid renewed fighting between Serbs and Croats.

Croatian and Serbian news media reported fighting in eastern and central Croatia and Dubrovnik, the Adriatic port. Each side accused the other of violating the ceasefire brokered by the UN on January 3.

UN officials said the pace of deployment was expected to pick up over the next week, and a force of about 14,000 peacekeepers would be in place by April 25. Some 29 police officers from Argentina arrived on Saturday in Belgrade, the Serbian and federal capital. A force of 29 Swedes and 29 Danes was yesterday expected to join some 500 peacekeepers already despatched to three UN Protected Areas in Croatia.

Meanwhile officials from the Yugoslav and Croat armies after two days of talks brokered by the International Red Cross in Pecs, southern Hun*gary, agreed at the weekend on* a full exchange of prisoners of war, according to Tanjug, the Belgrade-based news agency.

Nuclear monitoring plan

RUSSIA and Ukraine will set up a committee to monitor the destruction of nuclear warheads, Ukraine's President Leonid Kravchuk said yesterday, *Reuter reports from* Kiev.

Mr Kravchuk told Moscow television he was not yet ready to resume sending tactical nuclear warheads to Russia.

He suspended the process 10 days ago, saying he wanted western powers to monitor their destruction.

He said he had agreed with *Russian President Boris* Yeltsin to set up a four-nation committee, to include the other nuclear republics, Kazakhstan and Belarus, as a first step towards resolving the issue.

Telecommunications sector looks to the east

Joint ventures abound in former communist bloc but there is a long way to go, reports **Hugo Dixon**

THE EUROPEAN MARKET

Telecommunications was one of the most underdeveloped sectors of the old eastern bloc. But it is now brimming with life.

Scores of joint ventures between domestic and western enterprises have been formed, and governments are giving top priority to investment in telecommunications.

Part of the reason for the burst of activity is that eastern Europe has a long way to catch up. Under communism, telecommunications was given a low priority, for ideological reasons. Party bosses realised that allowing it to develop untrammeled might encourage democratic forces.

The region's new governments have taken an opposite *approach. They believe more* telephones are needed to protect democracy and to underpin the development of free market economies.

Only two years ago, the region's telecommunications infrastructure was in a parlous state. Few people had phones; most were concentrated among the communist elite. Much of the equipment was shoddy, in some cases dating from before the second world war.

Business services, such as faxes and mobile phones, and international communications were particularly hard to come by. Until recently, for example, all foreign calls from the Soviet Union's 290m people had to be channeled through one exchange in Moscow, which had only 16 circuits to the US and 34 to the UK.

These bottlenecks, particularly in Hungary, Poland and Czechoslovakia, have been the first to be tackled. "Business services are already adequate and will be up to western standards in two years," says Mr Blake Swensrud, president of *International* Technology Consultants, a Washington consulting firm specialising in eastern Europe.

Businesses have been given priority and foreign telephone companies have been installing special networks to cater for these customers. Their joint ventures fall into three main categories:

- International exchanges. Improving international communications is a rapid way of earning money, because of the high price of foreign calls and the increased need for eastern Europe to communicate with the rest of the world. Most of the new countries in the Commonwealth of Independent States are putting in their own international networks. US West, an American telephone company, is installing exchanges in Moscow and Lithuania. Australia's OTC has put an exchange in Kazakhstan, American Telephone and Telegraph has installed one in Armenia, and Canada's Teleglobe has been commissioned to fit out Moldova with an international network.
- Cellular networks. These are a quick way of providing companies with telephones because they use radio links and so no roads need to be dug up. Once fixed networks are in place, the cellular ones will be used for mobile communications. The largest deal was in Poland, where France Telecom and Ameritech of the US are said to have paid \$80m to \$100m (£58m) for a licence.
- Overlay networks. These fixed networks are often separate from the countries' public networks, giving a better service for a premium price. Sov*intel, a joint venture between* GTE and Sovam, both of the US, is putting in such a network for Moscow's international business community. The UK's Cable & Wireless is building a modern network for the Polish port of Gdansk.

Providing telephone lines to the mass of the ordinary population in eastern Europe will take much longer.

The UK-based Telecommunications Research Centre estimates that it will cost \$60bn to increase the number of phone lines from the current average of 10-15 per 100 people to 25-30, which would still be less than the 50 common in the west.

The outlook for most of the CIS is particularly bad. Mr Swensrud says, "Russia is just so big it's going to be very difficult to develop the network. In the Ukraine, nothing will happen overnight."

Nevertheless a start has been made on this massive job.

First, the western embargo on exports of high technology is being relaxed.

Second, foreign telecommu*nications manufacturers have* formed joint ventures to make exchanges and transmission equipment locally. Germany's Siemens, France's Alcatel, AT&T and Sweden's Ericsson have been particularly active.

Third, the state-owned telephone companies are being reorganised. Telephone companies in Hungary and Poland have been separated from the national post offices and similar moves are planned in Czechoslovakia and Bulgaria. Most countries are also putting up prices to make their phone companies more profitable.

That will help generate finance for investment, but most countries are also looking for other sources of funds.

The European Bank for Reconstruction and Development and the World Bank will help fill part of this gap. Four of the 14 loans made so far by the EBRD have been for telecommunications, including the largest, an Ecu142m (£101.5m) loan to bring 1m modern telephone lines to Romania.

But countries will be looking *to the private sector for the* lion's share of their external financing needs.

The big money will come when governments privatise their telephone companies, selling large chunks to foreign operators which could bring finance and management skills. Hungary, Poland and Czechoslovakia are going down this route and could complete sales in the next year.

But, with Latin American and south-east Asian telephone companies also up for sale, other eastern European countries will have to move smartly or the supply of buyers may run out.

NEWS: INTERNATIONAL

EC split over defence industry

Ministers fail to agree on scope for Community assistance

By Patrick Blum in Lisbon

EUROPEAN Community industry ministers failed at the weekend to agree on an EC policy towards the defence industry, which is suffering from over-capacity in the aftermath of the Cold War.

Mr Luis Mira Amaral, Portugal's industry minister, said there were clear differences at the informal meeting in Lisbon on whether the Community should develop an EC-wide approach to the industry.

Unlike industries such as textiles, many defence companies were concentrated in relatively prosperous regions in Britain, France and Germany. This made it difficult for the Community to help, as most of its industrial aid was focused on depressed regions.

Mr Martin Bangemann, vice-president of the EC's executive Commission, presented a paper seeking member states' views on whether a special initiative on the arms industry was needed.

Lord Reay, Britain's under-secretary of state for industry, said the paper on defence industries raised more questions than answered. "I don't believe there is scope for Community action in this field."

Others were more prepared to consider Community action. "France is not opposed to using EC funds to facilitate reconversion," said Mr Dominique Strauss-Kahn, the French industry minister. However, both Britain and France believed the Western European Union and Nato's Independent European Programme Group which deals with arms procurement, were more appropriate forums for discussing the issues.

There was broader agreement over co-operation with eastern Europe and the republics of the former Soviet Union. In its first comprehensive report on industrial prospects of the region, the Commission said there was an urgent need to encourage investment and industrial restructuring.

Foreign investment in 1990 at Ecu2.1bn (£1.49bn) in central and eastern Europe and Ecu2.3bn in the former Soviet Union remained well below the potential. Investment was still "relatively unimportant", the report said.

"The scale of the task is without precedents ... The transition [to market economies] will probably take a very long time, and a substantial part of industry will remain for some time yet under state tutelage," the report said.

Recent upheavals in the region had created serious economic distortions, but co-operation depended on pursuing the path of reform. Creating the right economic and business environment with better information, an appropriate legal framework and better protection for investments was crucial to attract more investors.

Martin Bangemann: seeking members' views

Finland's central bank comes to the rescue

The country's banks are reeling from the effects of the recession, writes Sara Webb

FINLAND'S banks are reeling from the worst economic blow in recent history. Faced with heavy credit losses and debtors who have halted the interest payments on their loans, many of the Finnish banks reported large losses for 1991 and expect this year to be just as bad.

However, a godsend came last week in the form of a Bank of Finland proposal for a rescue package.

This is aimed at bolstering the banks' capital adequacy ratios, improving their profitability, and restoring confidence in the troubled sector by setting up a FM20bn (£2.54bn) government deposit guarantee fund.

Finland's financial markets flourished in the deregulated environment of the mid-to-late 1980s. However, the Finnish economy is now suffering from a severe recession: GNP fell by 6 per cent in 1991, unemployment has reached 10 per cent, and the number of bankruptcies soared by 70 per cent to a record 6,138 last year.

The sharp downturn in the Finnish economy has taken its toll on the banks, leading to a dramatic increase in non-performing loans (where no interest has been paid for 90 days or more) and credit losses. Total credit losses for the Finnish banks jumped from FM2.34bn in 1990 to FM7.59bn last year, raising fears about the ability of the banks to meet the international capital adequacy requirements in future.

Credit losses and non-performing loans
(Finnish Markka m)

	Credit Losses 1985-1991							Non Performing Loans
	1985	1986	1987	1988	1989	1990	1991	1991
Commercial Banks	152.7	293.8	501.5	888.4	1,563.3	1,740.1	6,075.8	22,183
Savings banks	8.1	20.3	65.6	83.0	136.0	417.0	1,100.0	5,000
Co-operative Banks	9.9	30.0	110.9	141.8	148.0	178.0	413.0	6,000
TOTAL	170.7	344.1	678.0	1,113.2	1,847.3	2,335.1	7,588.8	33,183

The Basle accord on international bank capital adequacy sets a minimum capital-to-assets ratio of 8 per cent which must be met by the end of 1992.

Of the 8 per cent total capital requirement, at least half must be core, or Tier One, capital (consisting of common equity, perpetual preference shares and retained earnings), while the rest can be non-core, or Tier Two, capital (consisting of subordinated debt instruments, reserves and general provisions.)

"Finnish banks on average met the capital adequacy requirements fairly comfortably (at the end of 1991)," said Finland's working group on banking conditions last week.

"However, there were big differences between banks, and at current balance sheet levels, this year's losses threaten to bring the total banking sector's capital ratio down to close to the 8 per cent minimum or in the worst cases even below it."

To meet the 8 per cent capital adequacy requirement banks would either have to raise new capital or cut their loans – a move which would have serious consequences for the economy.

The Bank of Finland announced that the government would make up to FM8bn available to invest in banks' core (Tier One) capital. The result would be to improve the banks' lending capacity by between FM90bn and FM110bn (or about 25 per cent of the stock of loans).

"It is quite possible that the banks may not need to draw on this capital at all, but the point is that at least it is there to avoid a credit crunch," says Mr Jyrki Laakso, head of the international department at the Finnish Bankers' Association, who sees this measure as an important precaution.

To help banks further, the central bank said it would take steps to improve the banks' meagre interest rate margins by raising the base rate by one percentage point to 9.5 per cent on May 1, and increasing the rates on low-interest loans.

It has been a sore point for Finnish banks that over half of their loans are tied to the base rate (which has remained at 8.5 per cent since late 1989) while their lending is funded at a much higher rate in the money market, where three-month Helibor rates shot up to nearly 15 per cent in 1991 and are now around 12.3 per cent.

Traditionally bankers' pleas for a higher base rate have met with stony resistance from the parliamentary supervisory board of the central bank which is responsible for base rate decisions.

The politicians who sit on the board have been unwilling to raise the rate because of the impact on individuals with mortgages and personal loans.

However, while the board was sharply divided on last week's decision to raise rates, Mr Rolf Kullberg, Bank of Finland governor, said he wanted to see the base rate increased still further to reduce the gap between credits tied to the base rate and those tied to market rates.

Bankers believe that as market rates fall and approach the base rate, it will become easier to abandon the base rate altogether as a marker to loans.

Nordic banking and finance survey, Section III

Way clear for very big Paris library

By Alice Rawsthorn in Paris

THIS morning the builders will arrive with their bulldozers at the Quai de la Gare in eastern Paris to begin work on the Bibliothèque de France, the new national library which is the latest and most controversial of the French government's recent architectural monuments.

The project, known as the *très grande bibliothèque* in France, has been clouded by controversy ever since Mr Dominique Perrault, its architect, unveiled his first designs for a building with sunken study cloister and giant glass storage towers.

Mr Perrault had conceived a building in which the readers would be "buried" underground in the cloister and the books, now in the old Bibliothèque Nationale at the back of the Palais Royal in central Paris, would be stacked in the 20-storey towers.

His design provoked a storm of criticism in the French press and from scholars who claimed that France's academic treasures would be roasted by the sun streaming through the glazed towers. President François Mitterrand eventually agreed to consider the complaints, despite the opposition of Mr Jack Lang, his minister of culture, who still supported the original design.

Mr Perrault was forced to modify his plans. The much-criticised glass towers have been scaled down in size and more of the books will be stored underground.

Even so, the construction of the library, scheduled to start last November and to open in 1995, had to be delayed when a group of homeless families squatted on the Quai de la Gare site.

They have moved away, however, and the Conseil Supérieur des Bibliothèques, which runs France's libraries, has approved Mr Perrault's new design. So the builders are finally free to begin work on France's *très grande bibliothèque*.

Thai poll strengthens army's grip on power

By Victor Mallet in Bangkok

POLITICIANS sympathetic to the armed forces won about half the seats in the lower house of parliament in Thailand's general election yesterday, a qualified victory which suggests they could form a coalition government this week if they can agree on a prime minister.

Thailand's return to democracy after its 18th coup d'état in February last year has been characteristically hesitant, and the election campaign was marred by widespread vote-buying and the killings of several canvassers.

Political parties often lack coherent policies and buy members of parliament from each other for lucrative transfer fees, and few Thais were surprised when unofficial results showed that the brand new Samakki Tham (Justice Unity) Party had come out on top with about 78 seats in the 360-seat elected chamber.

Samakki Tham was created by senior military officers after last year's coup to ensure a continued role for the armed forces in politics, and its leaders were already negotiating with other pro-military parties last night in an attempt to form a coalition.

Although the pro-military politicians did well in the poorer, northern parts of Thailand where vote-buying is routine, parties opposing military intervention in politics were successful in Bangkok and in the politically-aware southern half of the country.

Mr Chamlong Srimuang, the former mayor of Bangkok and leader of the Phalang Dharma (Power of Buddhist Teaching) party who campaigned as "Mr Clean", won an estimated 32 of the 35 seats in the capital and surprised even his supporters by winning about a dozen more seats elsewhere.

After staging the coup, the military junta gave the pro-military parties a built-in advantage by devising a controversial new constitution which allows the 270-seat Senate to vote with the lower house in no confidence debates. Yesterday Gen Sunthorn Kongsompong, the junta's chairman, appointed a Senate of which more than half the members were officers of the armed forces and the police.

Debate last night was focusing on the identity of the prime minister to replace the outgoing Mr Anand Panyarachun, the military appointee who won the support of the business community for a series of economic reforms during his one-year tenure. Political liberals and student activists are demanding that the new premier be an elected member of parliament, while the military commanders say they have the right to choose anyone they want.

Officials of PollWatch, a new watchdog established by Mr Anand, agreed that vote-buying was still widespread in yesterday's election but claimed that PollWatch's existence and the presence of more than 31,000 volunteers at poll booths yesterday had to some extent deterred corrupt politicians.

Independent observers said campaigners had been more subtle about the way they bribed and coerced voters, in some cases buying noodle shops and brothels for a week at a time and providing free meals and prostitutes to curry favour with local residents.

Japanese outcry at gun attack

AN ATTEMPT to shoot a top politician has shaken the Japanese authorities out of their complacency about security just months before a nationwide election campaign, Reuter reports from Tokyo.

A young ultra-rightist infiltrated a provincial meeting of the ruling Liberal Democratic Party (LDP) on Friday and fired three shots at the powerful party vice-president, Mr Shin Kanemaru.

No-one was hurt, but one bullet flew close to Mr Kanemaru's head. "I thought wind or an insect was passing by me," the 77-year-old politician said afterwards.

The shooting in Ashikaga, north of Tokyo, has provoked an outcry in Japan, with calls to tighten security around public figures because of the increasing use of firearms.

Embarrassed police said that, despite past right-wing threats to Mr Kanemaru, they were not prepared for a gun attack. All their preparation had been aimed at foiling assaults by swords or knives.

"We were caught in a blind spot," said the national police chief, Mr Ryoichi Suzuki.

Mr Kiichi Miyazawa, the prime minister, and other government and LDP leaders, including Mr Kanemaru, had been expected to criss-cross the country in the next few months to try to restore their waning political fortunes before elections in late July to replace half of the upper house of parliament.

Mr Miyazawa's popularity rating after less than five months in office is languishing at around 20 per cent, amid a series of bribery scandals.

Mr Tamisuke Watanuki, the LDP secretary-general, said the party would have to reconsider senior officials' travel plans because police could not guarantee total security.

The 24-year-old man arrested after the attack on Mr Kanemaru is a member of a tiny group called Yukoku Seiwakai, Patriotic Association for Harmony and Justice. On Saturday, police raided its Tokyo office.

Japan's fragmented and relatively small extreme right – about 980 groups with total membership of over 120,000 – is strong on symbolic though noisy protests.

The ultra-rightists' main charge against Mr Kanemaru is that he has taken the lead in trying to normalise Japan's long-frozen ties with North Korea.

Chinese deficit may curb plans for growth

By Yvonne Preston in Beijing

CHINA recorded its biggest budget deficit last year, which puts severe financial restraints on its capacity to fund the rapid economic development called for by elder statesman Deng Xiaoping.

In a budget statement to China's annual parliament, the National People's Congress, at the weekend, the finance minister reported an unprecedented deficit of 21.11bn yuan (£2.8bn), 8.76bn yuan over the planned figure.

The minister, Wang Bingqiang, blamed the deficit increase on a combination of factors, including last year's devastating floods, which led to a fall in revenues and a 10bn yuan disaster relief bill.

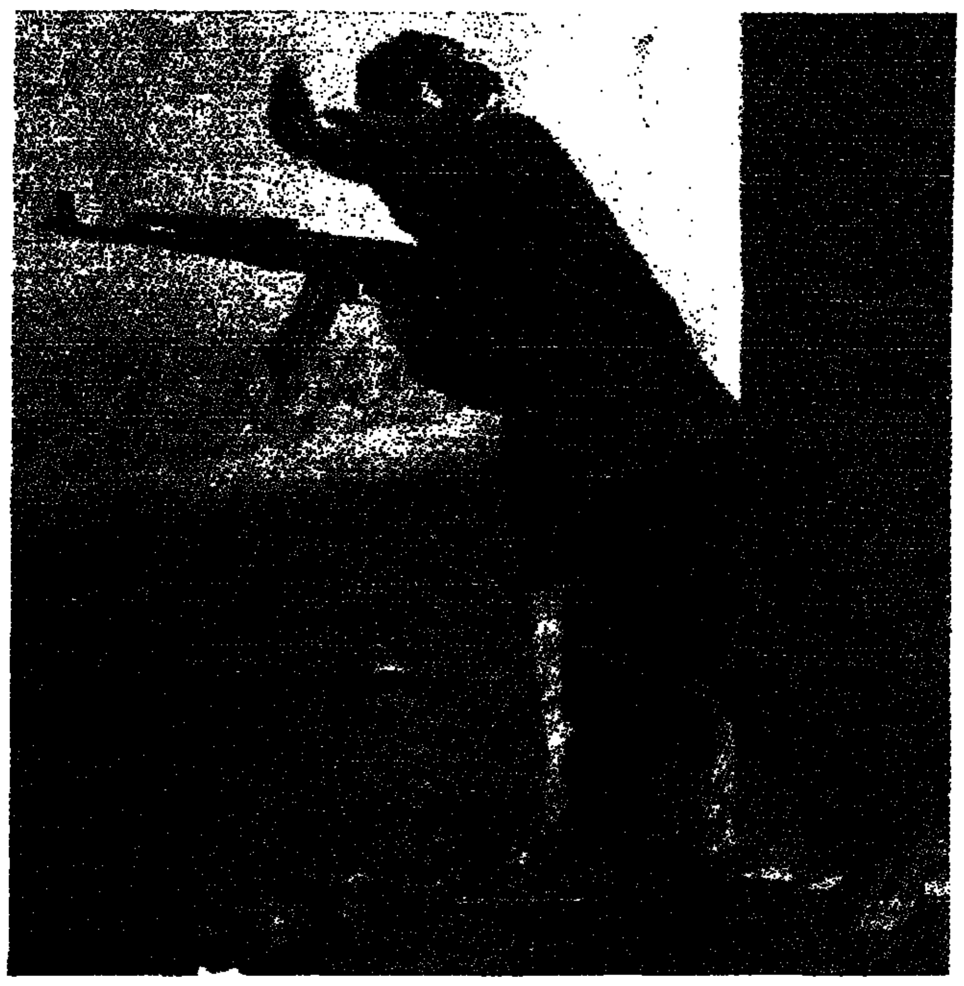
Support for loss-making state enterprises was a drain, costing the central budget more than 50bn yuan in subsidies. An additional 37bn yuan went in compensation for price increases which are aimed at bringing grain and oil prices more in line with the market.

Wang spoke of China's "financial difficulties" reflecting deep structural problems in the economy. He blamed "poor economic performance, the irrational pattern of distribution of income, overstaffing in government organs and the burden of subsidies."

Budgetary constraints will make it difficult to fund the infrastructure needed for high speed development. They could also delay the start of construction of the 57bn yuan Three Gorges dam on the Yangtze.

Forecasts for 1992 show a budget shortfall only marginally less than in 1991. Wang said fulfilling the targets for 1992 would be an uphill climb. A supporter of Chen Yun, who leads the conservative opponents of the Deng Xiaoping rapid development line, Mr Wang called for financial discipline and strict control over expenditure.

The only exceptions to the belt-tightening are military expenditure, up 12 per cent to 37bn yuan, and education, up just over 11 per cent.



A Kurdish guerrilla signals to a comrade during weekend fighting in Cizre

Kurdish protests leave 45 dead

FIFTEEN people were killed in clashes between troops and Kurdish demonstrators in south-east Turkey yesterday, bringing to 45 the death toll in one of the worst weekends of violence in the region for years, Reuter reports from Diyarbakir.

Security officials said 10 people were killed and 20 wounded in the town of Nusaybin on the Syrian border as troops clashed with marchers. A curfew was declared in Nusaybin afterwards.

In Yuksekova, on the Iranian and Iraqi borders near Hakkari province, five people were killed and 32 injured when government forces clashed with a crowd rallying for Kurdish independence, the semi-official Anatolian news agency said.

The agency said 70 people were detained in the town where a curfew was later declared.

The outlawed Kurdish Workers Party (PKK) had threatened an uprising to coincide with Saturday's Kurdish New Year in the impoverished south-east which has seen seven years of PKK insurgency in which more than 3,400 people have been killed. Protests swept other south-eastern towns yesterday.

In Hakkari, crowds attacked a statue of Turkey's founder Mustafa Kemal Ataturk and smashed windows of several government buildings, Anatolian said.

In the eastern city of Van, where police detained 200 people after one person was killed in a clash with troops on Saturday, protesters smashed public telephones and stoned some houses and offices, the agency added.

Interior Minister Mr Ismet Sezgin told state television earlier that 30 people, seven of them PKK guerrillas, were killed in clashes on Saturday between troops and Kurdish marchers.

"Nowrouz (Kurdish New Year) is shed in blood and the PKK is responsible," said Mr Sezgin, who blamed the Marxist guerrilla group for turning the New Year festivities into "a bloody uprising".

Officials said 13 people were killed in PKK's Cizre stronghold near the Syrian and Iraqi borders as thousands of the group's supporters clashed with troops.

Mayor Hasim Hasimi put the death toll in and around Cizre at 32 after troops confronted villagers trying to join a march.

In nearby Sirnak city 35km north-east of Cizre, a policewoman and 12 Kurds including a woman and three children were killed and at least 10 others wounded, officials said.

Curfews remained in force in the towns of Cizre, Sirnak and Van.

Iranian oil monopoly faces break-up

By Mark Nicholson, Middle East Correspondent

THE NATIONAL Iranian Oil Company (NIOC), the state oil group, is to lose its monopoly over the country's oil industry after a critical internal review conducted by President Hashemi Rafsanjani, according to a reliable industry newsletter published today.

Iran's eight refineries are to be spun off as separate commercial units from NIOC, leaving the latter to concentrate on oil exploration, production and marketing, an article in Petroleum Argus says.

The report also suggests that the future of Mr Gholamreza Aghazadeh as oil minister has been thrown into some doubt and will remain so until after Iran's elections on April 10.

The internal review into NIOC, which has held a monopoly over all Iran's oil operations since 1973, followed strong criticism of the state company late last year for failing to meet domestic demand for kerosine. The company has also been criticised for not maximising foreign exchange revenues from crude export sales and for failing to hedge properly against last year's volatile oil prices.

The article highlights a costly policy of placing 40m barrels of its 2.4m b/d crude oil exports into floating storage last year, which twice helped push down the value of Iranian crude while accruing heavy charges for the storage vessels.

Petroleum Argus estimates that "setbacks in crude marketing" last year cost Iran $3bn (£1.7bn) – a quarter of the average annual income generated by NIOC, itself 90 per cent of the country's foreign exchange earnings.

The decision to break up NIOC control over refining will open the way for private Iranian companies to take a bigger role in the country's petroleum products export business.

However, the article says that NIOC will regain control of the National Iranian Offshore Company and National Iranian Tanker Company.

Hong Kong's securities regulator to resign

By Simon Davies in Hong Kong

THE chairman of Hong Kong's stock market regulatory body, Mr Robert Owen, is to resign. The former merchant banker and diplomat who was brought in to set up the Securities and Futures Commission (SFC) in 1988 will leave on May 1, the third anniversary of the SFC's inauguration.

His departure coincides with a new phase for the Commission. After three years of forceful action the SFC has established itself as the watchdog of a stock exchange with a reformed governing council no longer controlled by vested interests.

Mr Owen will be replaced by deputy chairman Mr Robert Nottle, one of the five original executive directors and a former senior operations director of Australia's National Companies and Securities Commission.

Three other original directors will remain, with Mr Ermanno Pascutto becoming deputy chairman. Director of enforcement Mr Gavin Eadie is to be replaced by the commission's legal counsel, Mr Gerard McMahon, while another internal promotion will see Mr Michael Wu becoming the first local Chinese member of the executive.

Mr Owen said there was sufficient continuity within the SFC to ensure there would be no negative impact from his departure.

"The Commission is an accepted part of the scenery here. People understand what it is all about and it gets on with its job," said Mr Owen. But this involved a struggle in a community where a laissez-faire ethos has long prevailed.

The SFC has survived vocal attacks from legislative councillors and prominent businessmen and put into effect the recommendations of Mr Ian Hay Davison in his critical 1988 review of Hong Kong's financial markets. The SFC went beyond the Davison recommendations in undertaking a thorough reform of the Stock Exchange's ruling council.

"In terms of the international perception, I think it is fair to say that the 1987 cloud has now been well and truly dispersed," said Mr Owen. International confidence in the exchange was shattered after its temporary closure by the chairman, Mr Ronald Li, in the wake of the October 1987 crash. Mr Li was subsequently jailed for corruption.

Mr Davison had said "an inside group treated the exchange as a private club rather than a public utility for the general benefit of members, investors and issuers". Under the SFC reforms, the exchange's council was broadened in order to block the influence of vested interest groups.

There has also been a large degree of ethnic tension in the dispute, with the expatriate SFC seen as an outside aggressor which did not understand the local market. Moves will be taken to redress the racial balance of the commission, with Mr Nottle's eventual successor likely to be a local Chinese.

Mr Owen said the future direction of the SFC would be towards market development and also towards moves to protect Hong Kong's long-oppressed minority shareholders.

"I saw myself coming here to establish an organisation, implement the reforms and see them established with a reasonable degree of continuity. In that sense, the timing has worked out very well," he said.

Iraqi minister Ahmed Husein at the Arab League meeting

ARAB PLEA TO COOL LIBYA ROW

THE ARAB League secretary-general yesterday appealed to western countries not to take hasty action in their row with Libya, writes our Middle East staff.

Mr Esmat Abdel-Maguid told an emergency meeting of the Arab League, called by Libya, that he would hold extensive contacts with Mr Boutros Boutros Ghali, the UN secretary-general, and others.

The US, Britain and France want UN sanctions against Libya unless it hands over two men suspected of the Lockerbie bombing.

Punjab calls in army to curb killings

PUNJAB'S newly elected chief minister yesterday called in the Indian army to help police crush Sikh militants who have shot dead almost 70 people in recent days, Reuter reports from Ludhiana.

Mr Beant Singh said two army generals and Punjab's police chief would oversee the crackdown in the industrial city of Ludhiana.

The operation, with army and paramilitaries backing up police patrols in house-to-house searches, began yesterday in Ludhiana.

Sikh militants, who are fighting for a separate homeland, have vowed to punish anyone who voted in the February 19 elections or who collaborates with Mr Singh's government.

Fewer Nigerians

Nigeria has 88.5m people, 20m fewer than estimated, according to its first accurate census, writes Michael Holman.

The combination of religious and regional rivalries, and the temptation for the state governments to inflate population figures to obtain a greater share of federal government revenue, meant that past counts ended in controversy.

The 1991 census showed 46.9m in the Moslem north and 41.3m in the Christian south.

Catholic church rounds on Moi

By Michael Holman in Nairobi

KENYA'S Catholic bishops yesterday delivered an unprecedented attack on the government of President Daniel arap Moi, blaming it for the recent spate of violence in which more than 60 people have died.

The criticism, in a pastoral letter read to congregations throughout Kenya, reflects growing political unease, accompanied by doubts about Mr Moi's commitment to a multi-party system. Last November western donors made new aid to Kenya conditional on economic and political reforms.

Last Friday the government responded to the fighting by banning political meetings. Opposition leaders claim that the government instigated the clashes, seeking a pretext for a clampdown on dissent and postponement of multi-party elections.

In their letter, the bishops dismiss claims that fighting in western Kenya, mainly between Mr Moi's minority Kalenjin tribe and Luo and Luhya ethnic groups, has been caused by land disputes or tribal rivalries.

Nor do they accept the government's suggestions that the conflict is a result of last December's decision to lift the ban on multi-party politics.

Instead the bishops suggest that the conflict "is all part of a wider political strategy" involving "well-trained arsonists and bandits" who have been "transported to the scenes of crime from outside the area". The letter adds: "There has been no impartiality on the part of the security forces. On the contrary, their attitude seems to imply that orders from above were given in order to inflict injuries only on particular ethnic groups.

"It is difficult for the government to exonerate itself from the responsibility of these violent clashes."

The letter also criticises "high-ranking politicians, declaring certain zones to be exclusively for the [ruling] Kanu party". The result is that people have been "forced out of their schools, jobs, houses, and even from their land".

The bishops express concern about the "lack of impartiality" in radio and television coverage, and condemn civil servants who refuse to license opposition meetings.

There was no immediate government response to the letter, but President Moi, addressing a meeting yesterday in Chebilat, north-western Kenya, said that the government was concerned by the violence.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985 = 100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

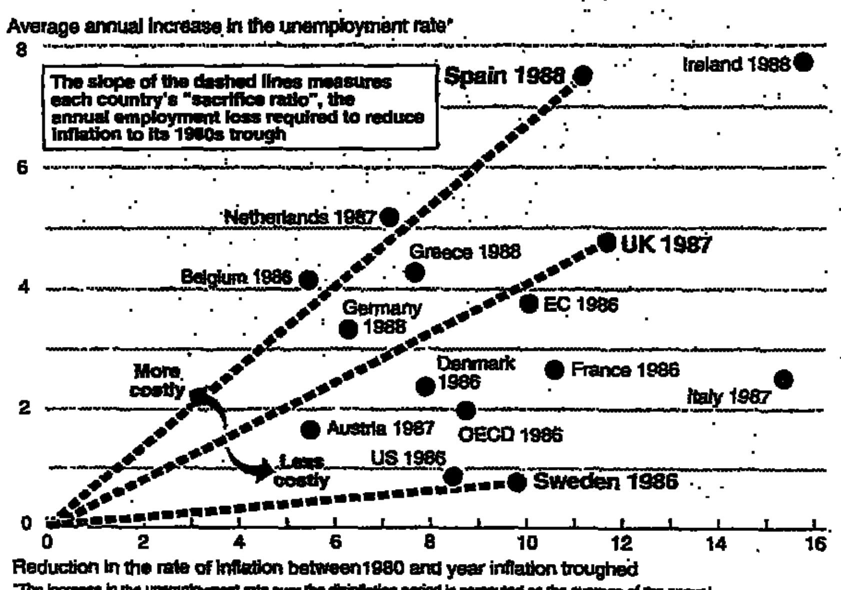
	UNITED STATES					JAPAN				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	103.0	100.0	100.0	2.6	100.0	96.7
1986	105.7	101.0	6.9	98.0	108.1	106.5	99.7	2.8	94.3	105.4
1987	108.3	105.9	6.1	105.5	110.0	113.8	103.1	2.8	108.3	115.5
1988	112.2	111.6	5.4	106.1	114.5	122.6	112.9	2.5	135.9	123.0
1989	114.7	114.5	5.2	99.3	113.5	132.8	119.9	2.3	147.0	126.7
1990	114.2	115.7	5.4	84.5	109.4	142.0	125.3	2.1	149.7	124.7
1991	112.0	113.5	6.6	61.9	115.5	145.0	128.0	2.1	144.4	123.4
1st qtr.1991	−3.8	−2.3	6.4	64.5	111.0	3.0	6.0	2.0	148.0	125.0
2nd qtr.1991	−1.6	−2.8	6.7	63.0	112.2	2.6	3.1	2.1	146.4	124.4
3rd qtr.1991	−1.4	−2.1	6.7	60.9	112.8	1.0	1.2	2.2	141.6	124.7
4th qtr.1991	−0.9	−0.5	6.9	59.1	115.5	1.9	−1.6	2.1	141.2	123.4
March 1991	−2.1	−3.6	6.6	63.1	111.0	2.4	3.5	2.1	142.6	125.0
April	−2.1	−3.0	6.5	62.7	111.2	2.5	3.8	2.1	152.6	124.9
May	−1.1	−2.7	6.7	62.4	111.8	1.8	4.3	2.1	146.4	124.5
June	−1.7	−2.5	6.8	63.7	112.2	3.4	1.1	2.1	140.5	124.4
July	−1.2	−2.1	6.7	61.1	112.3	−0.3	2.5	2.2	149.8	124.4
August	−1.8	−2.3	6.7	60.6	112.5	4.5	0.1	2.2	137.5	124.4
September	−1.2	−2.0	6.7	60.9	112.8	−1.2	0.9	2.2	137.3	124.7
October	−0.6	−1.4	6.8	58.4	113.4	1.6	−1.8	2.1	144.3	124.4
November	−1.8	−0.2	6.8	59.1	114.5	4.1	−1.0	2.1	139.8	124.0
December	−0.4	0.2	7.0	59.8	115.5	0.0	−1.9	2.2	139.1	123.4
January 1992		0.0	7.0	56.3	116.3		−4.0	2.1	137.8	124.1
February		1.4								

	GERMANY					FRANCE				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.2	100.0	104.3	100.0	100.0	10.2	100.0	101.7
1986	103.6	102.2	6.4	136.4	104.0	102.4	101.1	10.4	107.2	108.7
1987	107.4	102.5	6.2	149.4	105.1	104.5	103.1	10.5	117.6	107.9
1988	110.6	106.2	6.2	164.7	111.2	107.9	107.3	10.0	134.9	112.7
1989	113.7	111.4	5.6	218.9	114.0	109.6	111.3	9.4	161.3	112.4
1990	122.9	117.2	4.8	260.6	114.7	110.1	112.7	8.9	165.6	106.7
1991	129.5	120.7	4.3	269.8	111.0	109.7	113.2	9.4	129.9	107.4
1st qtr.1991	11.9	4.8	4.3	267.1	113.0	−0.5	0.7	9.0	133.1	106.6
2nd qtr.1991	9.5	5.4	4.3	277.0	112.9	−1.4	0.1	9.3	130.1	108.1
3rd qtr.1991	0.1	1.8	4.4	275.1	112.4	0.0	−0.6	9.5	132.4	108.4
4th qtr.1991	0.7	0.0	4.3	260.5	111.0	0.2	1.6	9.7	124.3	107.4
March 1991	11.3	4.5	4.3	271.2	113.0	0.5	−1.4	9.1	132.0	106.6
April	8.8	6.7	4.3	274.6	112.6	0.4	−0.1	9.2	129.1	107.0
May	6.9	3.0	4.3	276.2	112.8	−2.0	0.2	9.3	129.5	107.7
June	13.0	6.6	4.3	279.4	112.9	−2.5	0.2	9.4	132.0	108.1
July	3.0	3.5	4.4	278.4	112.5	3.2	−0.7	9.5	134.9	108.5
August	−2.2	1.2	4.4	278.4	112.7	−0.8	−0.7	9.5	134.1	108.4
September	−0.4	0.6	4.4	269.5	112.4	−2.3	−0.4	9.6	128.0	108.4
October	3.0	0.7	4.4	260.5	112.0	1.4	0.7	9.7	124.5	107.9
November	−0.5	1.4	4.3	258.1	111.4	0.7	1.6	9.7	125.8	107.7
December	−0.3	−2.2	4.3	263.8	111.0	−1.5	2.6	9.8	122.8	107.4
January 1992	−1.7	0.2	4.3	272.7	110.9	−0.5	0.4	9.8		108.0
February				284.1						108.9

	ITALY				UNITED KINGDOM					
	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	
1985	100.0	100.0	9.6	103.8	100.0	100.0	11.2	100.0	102.2	1985
1986	108.0	104.1	10.4	110.6	105.2	102.4	11.2	116.1	105.3	1986
1987	113.9	106.8	10.9	112.6	110.7	105.7	10.3	141.2	109.6	1987
1988	109.8	114.2	10.9	117.7	117.7	109.5	8.5	144.3	108.2	1988
1989	118.4	118.7	10.9	116.0	119.8	109.9	7.1	124.7	105.6	1989
1990	115.0	118.0	10.3	112.4	120.4	109.3	6.9	97.9	103.7	1990
1991		115.3	9.8	115.3	119.5	106.1	9.4	68.1	108.1	1991
1st qtr.1991	2.0	−1.7	9.9	113.7	−0.9	−3.0	8.2	81.8	104.9	1st qtr.1991
2nd qtr.1991		−2.1	10.0	114.0	−2.0	−5.9	9.2	64.0	107.2	2nd qtr.1991
3rd qtr.1991		−4.3	9.6	114.8	−0.5	−2.2	9.9	61.6	108.3	3rd qtr.1991
4th qtr.1991		−1.0	9.9	115.3	0.4	−0.7	10.3	65.5	108.1	4th qtr.1991
March 1991	9.0	−2.8	n.a.	113.7	1.8	−3.3	8.6	81.0	104.9	1991 March
April	−9.1	−4.0	n.a.	113.9	−2.2	−6.7	8.9	70.3	106.2	April
May	−6.9	−2.5	n.a.	114.0	−3.4	−6.0	9.2	63.1	107.0	May
June		0.2	n.a.	114.0	−0.5	−5.0	9.4	58.6	107.2	June
July		−2.0	n.a.	113.9	−0.6	−1.9	9.7	60.6	107.5	July
August		−7.7	n.a.	114.6	−0.2	−2.6	9.9	62.1	107.9	August
September		−3.1	n.a.	114.8	−0.7	−2.1	10.1	62.1	108.3	September
October		−2.2	n.a.	115.3	−0.1	−1.4	10.1	60.3	108.8	October
November		1.4	n.a.	115.2	1.6	−0.4	10.3	63.9	108.4	November
December		−2.3	n.a.	115.3	−0.4	−0.2	10.4	72.1	108.1	December
January 1992			n.a.	115.7	0.8	−1.1	10.6	71.1	108.0	1992 January
February			n.a.		1.3			72.4		February

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. **Retail sales volume:** data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). **Industrial production:** data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). **Unemployment rate:** OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. **Vacancy rate indicator:** relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. **Composite leading indicator:** OECD data. Each is a combination of series, cyclical fluctuations which usually precede cyclical fluctuations in general economic activity.

Unemployment cost of reducing inflation, 1980–88



*The increase in the unemployment rate over the disinflation period is computed as the average of the annual deviations of the actual unemployment rate from that observed in 1980, when the annual inflation rate peaked.
Source : OECD estimates

Unemployment side-effects of inflation convergence

NO government would have found it easy to put an optimistic gloss on last week's UK unemployment and inflation figures. Unemployment has now risen by over a million since the recession began, yet both wage and underlying price inflation rates remain unsustainably high.

The Conservative party's labour market reforms were supposed to make the labour market more "flexible". At the microeconomic level they have succeeded. Reducing the power of national trade unions, removing restrictions on the ability of employers to hire and fire and encouraging decentralised pay bargaining have increased the variation in wages by age, skill and region.

Yet these changes do not seem to have reduced the unemployment cost that the economy must pay to cut aggregate wage and price inflation. The chart shows the average annual unemployment cost that OECD countries paid in the 1980s to reduce inflation to their lowest point: the steeper the line, the greater the sacrifice in terms of lost jobs needed to reduce inflation by 1 percentage point.

The UK "sacrifice ratio" implies that in the 1980s a 2 percentage point drop in inflation required unemployment to rise by 1 percentage point a year. This ratio is above average for OECD countries and much higher than in the US and Sweden.

The government reforms do not seem to have cut the UK sacrifice ratio in this recession. Retail price inflation has fallen by 6¼ percentage points since its November 1990 peak while unemployment has risen by 3.3 percentage points on the OECD definition, leaving the sacrifice ratio unchanged. The fall in underlying inflation has been more modest.

Wage inflation has fallen at an even more sluggish pace. Membership of the European exchange rate mechanism means that average earnings cannot grow faster than in the UK's main European competitors – perhaps 5 per cent or less a year – without further eroding the competitiveness of UK exports, unless manufacturing productivity also grows faster. But after six quarters of recession, the underlying annual rate of UK wage inflation is 7¼ per cent, a fall of just half a percentage point in six months.

Unemployment will have to rise above 3m before the adjustment to the ERM is complete. In the 1980s, OECD calculations show that the annual rate of UK wage inflation fell by 0.3 percentage points for every 100,000 jobs lost. With the sacrifice ratio unchanged, reducing wage inflation from 10 per cent to 5 per cent will require a rise in total unemployment of 1¾m compared to a little over one million so far.

The longer this wage adjustment takes within the ERM, the more export competitiveness will be eroded and the harder the adjustment becomes as the latest OECD report on the Spanish economy indicates. Average earnings in Spain rose by 9 per cent in 1991, despite an unemployment rate of 16 per cent, raising Spanish export prices and increasing the trade deficit.

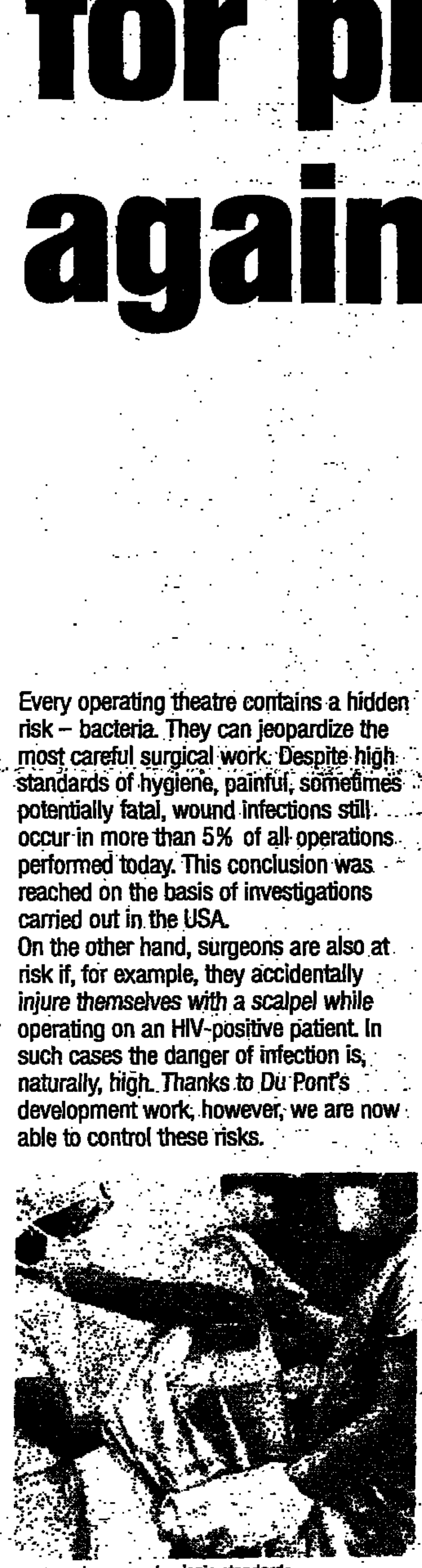
Why is reducing the going rate of wage increases in Spain and the UK so costly? One reason is the unco-ordinated and partially decentralised system of wage bargaining in both countries. Sweden has a highly centralised wage bargaining with powerful unions and employers which together set the going rate of wage increases. Sweden's sacrifice ratio is very low. The US has weak unions and almost no collective bargaining; its sacrifice ratio is similarly low.

The UK labour market reforms of the last 12 years ago have left the UK, like Spain, in the middle: little employer co-ordination, relatively powerful plant level unions and a desynchronised wage round all make it hard for employers to reduce their wage settlements below the going rate. The rational solution is either more co-ordination, as Labour appears to be offering, or more union-bashing from the Tories. Here is one area where a middle of the road compromise would be inferior.

Edward Balls

Kevlar* for protection against injury. Sontara* and Tyvek* for protection against infection.

Every operating theatre contains a hidden risk – bacteria. They can jeopardize the most careful surgical work. Despite high standards of hygiene, painful, sometimes potentially fatal, wound infections still occur in more than 5% of all operations performed today. This conclusion was reached on the basis of investigations carried out in the USA.
On the other hand, surgeons are also at risk if, for example, they accidentally injure themselves with a scalpel while operating on an HIV-positive patient. In such cases the danger of infection is, naturally, high. Thanks to Du Pont's development work, however, we are now able to control these risks.



SONTARA increases hygienic standards.

SONTARA is a spunlaced fabric specially developed by Du Pont and consisting of a blend of polyester fibre and woodpulp. This fabric forms the basis for operating gowns and drapes available from manufacturers such as Mölnlycke and Baxter. Unlike conventional cotton operating gowns and drapes, SONTARA provides a considerably improved barrier against bacteria, a fact confirmed in a comparative test performed by Prof. Werner at the University Clinic of Mainz. Another advantage of SONTARA is that its special surface treatment is liquid-repellent. Consequently, surgeons and theatre staff are protected from germs transmitted through the blood. Moreover the use of SONTARA operating gowns and drapes means that 12 times fewer particles are released through linting than by conventional textiles. During surgery, such lint particles may act as a transmission medium for micro-organisms and result in infection. Non-wovens provide a higher standard of safety because they are less prone to damage during transit or washing which could put their sterility at risk. The use of SONTARA made it possible for instance, at the Duke University Medical Center in Durham, to reduce the post-operative infection rate from 6.51% to 2.83%. An increasing number of clinics in Europe are placing their trust in operating gowns and drapes made from SONTARA.

Sterile packaging made of TYVEK is tear- and puncture-resistant.

Tyvek for permanently sterile packs.
TYVEK is a spunbonded material made from microscopically fine, low-pressure endless polyethylene fibres. Its special properties make it ideal for sterile packaging: it is not only tear-and puncture-resistant, waterproof and lintfree, but also impenetrable to bacteria. Since the packs are heat-sealed rather that adhesive-bonded, they can easily be opened.
At the same time TYVEK is perfectly suitable for gas or gamma-ray sterilization which always takes place after closure. TYVEK's structure prevents bacterial penetration but allows gases to enter easily and escape again quickly.
That is why leading manufacturers of medical equipment, Abbott, Baxter, Fresenius and Viggo-Spectramed, for example, use sterile TYVEK packs to protect their products.

Kevlar operating gloves protect surgeons.
For the same weight, the para-aramid fibre KEVLAR offers five times the tensile strength of steel, and is flexible and cut-resistant. This fibre has enabled the most amazing developments in a variety of fields. Now it is also in use for medical purposes. A special manufacturing process is able to produce seamless operating gloves from KEVLAR. They represent a significant safety factor in respect to pathogens, in that they help protect the surgeon from accidental cuts. Even a scalpel, if used normally, is unable to cut through them. The disposable gloves, packed in sterile conditions, are purpose-designed for surgical requirements. They are worn between two thin Latex gloves. Unlike other types, these KEVLAR surgical gloves offer an important advantage, because they are so soft and flexible they do not limit the surgeons's dexterity and skill.
KEVLAR protective surgical gloves are already in widespread use in America. In addition to use by surgeons and their assistants, these gloves are also a valuable contribution towards the safety of dentists, accident and emergency personnel and to others in areas of risk.

Operating gloves made from KEVLAR reduce the risk of infection.

Du Pont innovations
SONTARA, TYVEK and KEVLAR are developments of Du Pont's Engineering Fiber Systems, as are NOMEX*, TEFLON*, TYPAR*, CORDURA*, ZEMDRAIN* and high tensile stength NYLON. These products never cease to create new potential in a variety of areas ranging from household applications to space travel. Du Pont is one of the leading research-oriented companies in the world; in Europe alone, it employs 21,000 people and has already invested DM 35 billion.

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DU PONT

ELECTION 1992

Strategists target the marginals

By Gareth Smyth

AS THE election campaign moves into its second week, party strategists believe that the reaction of voters to their tax proposals could be decisive in crucial marginal seats.

Conservative officials have set out to make income tax an electoral issue, and the March 10 Budget, featuring a lower rate of tax for the first £2,000 of earnings, signalled the start of the campaign.

Labour's shadow Budget responded by proposing to abolish the earnings ceiling on National Insurance contributions and setting tax rate of a 50 per cent for higher earners. It claimed that eight out of 10 families would benefit from its package, which includes higher tax thresholds, child benefits and pensions.

This concentration on the tax issue is risky for both main parties. The danger for the Tories is that there is evidence that people say they are prepared to pay higher taxes for better public services. For Labour, the risk is that they will be branded as the party which increases taxes.

In order to assess the impact of the rival proposals, FT reporters have visited three marginal seats in different regions where the Labour candidate came second in the last election.

Brentford and Isleworth in London, Birmingham Hall Green in the Midlands and Davyhulme in north-west England look typical of marginals within their regions.

They were selected because they are likely to reflect the social make-up of marginals in these three regions – which contain 63 of the 94 Tory seats Labour would probably need to win an overall majority.

A rough guide to how typical the marginal seats are of their region can be drawn from the 1981 census on "socio-economic groups". In the north-west, London and the west Midlands, the marginals seem to contain more of the higher-income groups than the regional average. The east Midlands marginals contain fewer high earners.

So the marginals appear to contain a bigger proportion than the country in general of voters likely to be disadvantaged by Labour's tax proposals.

Price tag on the promises, Page 17

A middle that holds the key for three sides

By Roger Matthews

MOST voters in the suburban Manchester constituency of Davyhulme think of themselves as middle class but, in terms of personal income, not quite the same middle class of London and south-east England. The perception is important and contributes to the absence of any evidence that the tax proposals of the three main parties will be a decisive issue on April 9.

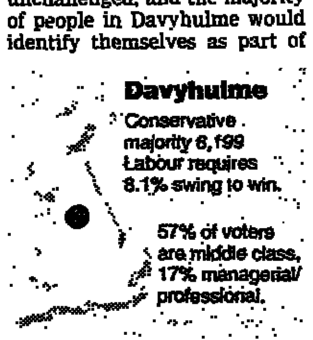
Davyhulme and the Stretford seat that preceded it has been held for 22 years by Mr Winston Churchill. To wipe out his 8,199 majority Labour needs a swing of 8.1 per cent. It is just about the last seat Labour needs to put Mr Kinnock into Downing Street with an overall majority.

Locally the contest has yet to be fully joined. Mr Churchill was at his son's wedding at the weekend and Ms Jackie Pearcey, the Liberal Democrat, only had her adoption meeting on Friday evening. As elsewhere in the north-west, Labour and its Davyhulme candidate Mr Barry Brotherton appear to have made the fastest start.

The constituency ranges from the affluent avenues of Sale through swathes of three-bedroomed semi-detacheds in Urmston and Flixton to the council and terraced housing of Partington and Carrington.

Mr Churchill says differences between Labour and Conservative tax policies will be an important element in his campaign. Ms Pearcey is confident that the Liberal Democrats' plans for 1p on income tax to fund education is a winning policy, while Mr Brotherton, leader of the Trafford Labour group, says no-one has raised with him the issue of his party's tax plans. He thinks most of those who would have to pay more tax under Labour are Conservative voters.

Mr John Smith's assurance that eight out of 10 taxpayers would be better off as a result of his Budget proposals appears broadly to have been unchallenged, and the majority of people in Davyhulme would identify themselves as part of that 80 per cent.



A sales manager at a company in the Trafford Park industrial estate earning what he considers to be good salary of £19,000 said he worried less about Labour's plans than the depth of the recession and the threat of redundancy. "I reckon it will hit people much harder down south," he said.

He and several others said they would vote Tory reluctantly because they could not contemplate the prospect of Mr Kinnock in Downing Street.

Ms Pearcey, a radiological safety analyst with a PhD in applied nuclear physics, thinks it is the commitment of the Liberal Democrats to fund education through an increase in tax that will help her to push Labour into third place.

"There is absolutely no enthusiasm among dissatisfied Tories to vote Labour. It would be a big mistake to regard this seat as a Tory-Labour marginal."

Norman Lamont: 'Labour's shadow Budget is a con. For the minimum possible money Mr Smith has created the illusion that millions of people are gainers'

John Smith: In this Budget we are starting to take back something for the average taxpayer and the average family'

Candidate finds electorate 'switching off'

By Paul Cheeseright, Midlands Correspondent

THE CONSERVATIVE offensive against Labour tax policies has been, in the case of Birmingham Hall Green, rather like firing cannonballs into the desert. The sand pays little attention.

Even Mr Andrew Hargreaves, seeking to retain the seat for the Conservatives, would go no further than saying that "the issue is there lurking in the background". At the moment, "everything is a switch-off", he added. "The problem is getting the electors to focus."

This makes the issue easier for Labour to handle, but Ms Jane Slowey, the party's Hall Green candidate, observed that the tax issue comes and goes: "It's not the issue it was four or five weeks ago."

Mr David McGrath, the Liberal Democrat candidate, noted that the two main issues in the constituency were the recession on one hand and law and order on the other.

Hall Green has its own political agenda running parallel with the national debate. This is a reflection of the local party balance and of the nature of the constituency. Mr Hargreaves polled 44.9 per cent of the vote in the 1987 election. But, between them, Labour with 28 per cent and the Alliance with 27 per cent gained more votes.

"Andrew Hargreaves has a political rather than a personal following," said Mr Carl Chinn, the Birmingham University community historian, who lives in the constituency. This implies that his political future depends not only on how the anti-Conservative vote splits but also on the degree of success the Tories have in conveying their national message.

This is a constituency of the middle classes, but not of the best-off. It is a constituency of upwardly mobile skilled workers who have tended towards the Conservatives, but with a strong sprinkling of Irish people, who are traditionally Labour voters.

While in Billesley and Brandwood there is a 50-50 split between owner-occupied and council housing, in the Hall Green ward owner-occupation jumps to about 80 per cent.

Unemployment levels have consistently been beneath the city average, but have been rising.

"In any Birmingham constituency worry about cars is more crucial than tax," said Mr Chinn, reflecting the west Midlands preoccupation with the future of the motor industry.

The tax issue comes forward indirectly. Concern seems to focus less on tax levels as on obtaining the best value for each pound paid in tax.

Quotes of the day

It is the politics of the stone age, the politics of envy. Economic illiteracy with a dash of calculated malice – intended to wound, intended to bite
John Major, attacking Labour's tax proposals

We have not gone through everything in the last eight years in order somehow – the day after the election – to trip into the nearest telephone box, tear off our trenchcoats and bare our chest with a big "S" on the front of it
Neil Kinnock to businessmen in London

Clear evidence that the Tories have got to be pretty rattled
Paddy Ashdown on the involvement of Margaret Thatcher in yesterday's Tory candidates' rally

No, we've not said that, John Smith hasn't said that and nobody would say that
Roy Hattersley asked on TV-am's Frost on Sunday whether in the next parliament the top rate of income tax would not under any circumstances go above 50p

The position is quite clear – 50 per cent would be the top rate under the next Labour government
John Smith on BBC1's On the Record, when asked about Roy Hattersley's comment

John Major, the Tory leader, is here with me in Downing Street
Brian Walden introducing his LWT interview yesterday with the PM

It may be a David-and-Goliath task but the opinion polls of the day never gave David much of a chance
David Pidcock, leader of the Islamic Party of Britain

Mixed make-up in west London match

By David Owen

A BLOOD-curdling scream startles drinkers at the Barley Mow public house in Turnham Green, west London.

"Aaargh! We're surrounded by Tories," exclaims Mr Mick Carroll, a chef, spying Mr Nirj Deva, Conservative candidate for Brentford and Isleworth, and making the sign of the crucifix.

On the next bar-stool, Ms Vesna Novakovic, a financial consultant, says she will not vote Labour because of its tax plans. "Labour have got a history of raising tax. They would discourage people from doing well."

On such anecdotal evidence, it is far from certain whether the tax and National Insurance plans outlined in Mr John Smith's shadow Budget will be the cornerstone of a Labour victory in London or a millstone around its neck.

Brentford and Isleworth, held for the Tories by Sir Barney Hayhoe since 1974, is typical of the seats in the capital Labour must win if Mr Neil Kinnock is to secure the 20-seat majority he predicts on April 9.

Requiring a swing of more than 7 per cent to change hands, this exceptionally mixed constituency lies about 20th on Labour's list of target seats in the capital. But Labour will have to persuade some of the seat's professionals and middle managers – a fifth of the electorate – to vote against their wallets.

The focus on tax will certainly touch off a testy battle of statistics. Ms Ann Keen, the Labour candidate, recently received from campaign HQ figures purporting to show the effect of the shadow Budget proposals on London marginals. According to these, almost 88 per cent of the Brentford and Isleworth labour force would gain from the plans.

Circulars bearing the imprint of Conservative Central Office tell a different story. They say Labour's tax plans would cost the average male full-time worker in London nearly £4 a week.

Ms Keen does not expect to be significantly handicapped by Mr Smith's proposals, although she accepts "there will always be some people who don't want to pay more."

Mr Deva intends couching his tax-related arguments in broader terms than just the effect on constituents' individual pay packets.

"Labour's tax plans would take money out of a consumer recovery," he says.

For the Liberal Democrats, Ms Janet Salmon hopes Mr Smith's tax plans will be unpalatable enough to prompt those voters who have decided it is time for a change of government to turn to her. In addition the constituency's swelling ranks of unemployed say they would "love to be in a position to pay tax", she says.

Colin Beere

Smoke-filled room: nightclub owner and ecologist Philip Andrews, who is standing as an independent, accuses Chris Patten of 'party self-interest'

Field Marshal Patten calls in big guns

David Marsh on the Tory chairman's battle in Bath

THE BUSTLING Regency emporium of Bath boasts 800 shops serving a population of just 85,000. "Pure magic. It is the Mecca for retailing outside London," enthuses Ms Eileen Walkington, the breathless Lancashire-born director of the city's chamber of commerce.

The political opponents of Mr Chris Patten, the sleepless-eyed chairman of the Tory party and Bath's MP since 1979, are trying to turn this centre of shopping pilgrimage into a Conservative graveyard.

In 1987 Mr Patten had a slender 1,412 majority over the Social Democrats. He now faces a tough battle with a broad coalition of anti-Patten campaigners, egged on by a vociferous group of Bath traders complaining about high rents and rates.

Mr Patten is hoping that this month's Budget moves to ease the burden of the uniform business rate (UBR) will defuse the Bath shopkeepers' revolt. But as the Conservative party's image-maker, as well as the man responsible for introducing the poll tax to England and Wales during his previous job as environment secretary, Mr Patten is vulnerable to the anti-Tory swing across southern England.

Mr Don Foster, the studious 44-year-old Liberal Democrat candidate, is working flat-out to woo the shopkeepers. Buoyed by early canvassing returns, Mr Foster says he has "difficulty containing his exuberance" about the prospects for a Lib Dem victory.

Mr Patten, who rushes to Bath every afternoon after mornings spent in London masterminding Tory strategy, is confident of weathering the challenge. He claims he will win, with an increased majority. Field Marshal Patten says he will call on "heavy artillery" from headquarters – including, probably, Mr John Major – to back his electioneering.

Mr Patten may spend his mornings in the capital heaping invective on Labour, but the three-cornered fight in Bath means he must butter up the local Labour candidate in the afternoons. He is relying on Ms Pam Richards, a part-time social worker who has been a city councillor since 1980, to make inroads into the Liberal Democrat vote.

Ms Richards has little hope of taking Labour above its third place in 1987, but she refuses to be distracted by suggestions that Labour supporters should transfer their vote to the Liberal Democrats.

The three-year controversy in Bath about the effect of high commercial rents and the UBR has clearly undermined the Tories' reputation as the shopkeepers' party. Mr Eric Snook, a toy-shop owner and Conservative city councillor, says the criticism from the retail trade is overdone. But he admits that commercial rents in the city centre – a third of which are paid directly to the council – have been "hyped up", contributing to a rise in business failures.

The retail protestors say both rents and rates are set at values fixed in 1988-89 at the peak of the boom, and are still rising in spite of the downturn.

Mr Philip Andrews, a leading member of BARRB, a loose grouping of Bath businesses fighting rent and rates increases, is standing as an independent. A 38-year-old ecologist and nightclub owner whose father worked for MI6, he says Mr Patten has been unable to act on the issue because of "party self-interest."

Mr Robert Mimmack is director of property and engineering services at Conservative-controlled Bath council, whose estates department is the largest landowner in the city centre. He admits that the £8m annual receipts from commercial rents – 15 per cent of total city revenues – help keep Bath's poll tax bills down, a crucial factor helping Mr Patten. One effect of soaring overheads, as well as general problems caused by the recession, is that 8 per cent of roughly 600 shops in the city centre are empty, Mr Mimmack says.

Bath Tories say Mr Patten's jocularly professional campaign will blunt his opponents' stings. None the less, national and local factors have increased the risk that, on polling day, the Conservative party chairman could become another victim of Bath's wave of boom and bust.

Cheer for Kinnock in the fine print

By David Owen

THE FINE print of this weekend's polls will have gone down just as well at Labour's Walworth Road headquarters as the headline figures showing a Labour lead in four cases out of five.

The party will have been heartened by its generally improved showing for economic competence, by evidence that Mr Neil Kinnock is making up ground on the other leaders, and by indications that voters see the National Health Service as the most important issue.

The Conservatives will be concerned by the finding in the Mori poll for the Sunday Times that tax is well down the list of decisive issues.

But they will take heart from suggestions in yesterday's NOP survey for The Independent on Sunday that an increasing number of voters think Labour is making promises the country cannot afford.

For all that, Mr John Smith's shadow Budget appears to have bolstered his status. In the Observer/Harris poll 40 per cent thought Mr Smith the best choice for chancellor, compared with 27 per cent for Mr Norman Lamont. A Mail on Sunday/NOP survey gave Mr Smith a 32 percentage point lead over his opposite number.

On economic competence, Labour scored its first positive rating in the Independent survey since the newspaper's pollsters started monitoring the subject last May.

Overall, 47 per cent of those sampled regarded Labour as very or fairly competent on the economy, and 46 per cent said they were not very or not at all competent – compared with 43 per cent and 50 per cent respectively in the previous week.

The Conservatives scored plus 5 percentage points on the same measure. The Sunday Times gave the Tories a 9 percentage point lead over Labour on managing the economy.

A Sunday Express/ICM poll gave Labour a 1 percentage point lead over the Tories on the question: "Which party will make your family better off?"

Labour will be less pleased with the Independent's finding that 56 per cent of respondents thought it would "put up income tax sharply for people on average earnings." But 37 per cent did not think so – up from 30 per cent a week earlier.

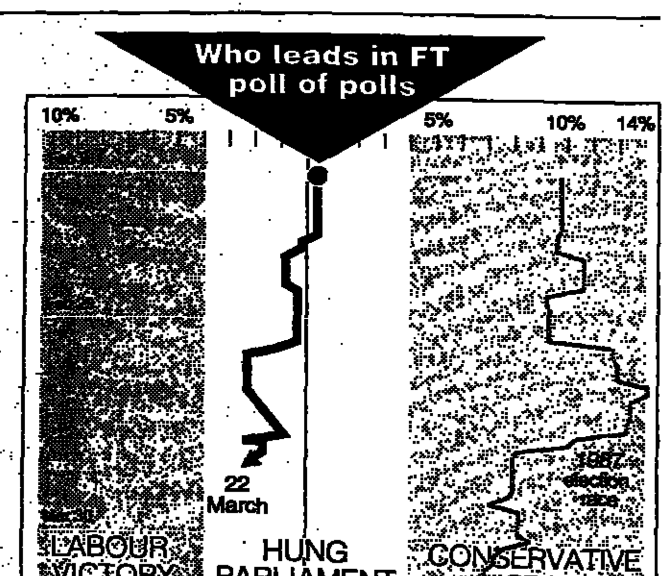
Mr Kinnock still lies third in the popularity stakes among the party leaders but has picked up 4 percentage points according to the Mail on Sunday, to trail Mr John Major, the prime minister, by 16.

● In Scotland a Mori poll showed a 3 percentage point drop in support for the Conservatives compared with a week ago and a 3 percentage point rise in backing for the Scottish National party. It put Labour on 43 per cent (up 1), SNP on 27 per cent (up 3), Conservatives on 20 (down 3) and the Liberal Democrats on 9 per cent (down 2).

● A single constituency poll on Mid Staffordshire for the Birmingham Post indicates Labour could hold the seat, which it won with a 21.3 per cent swing in a March 1990 by-election, with an increased majority.

A poll in the Wallasey, Merseyside, constituency where Mrs Lynda Chalker, the overseas development minister, is defending a majority of just 279, showed the Conservatives trailing, but by only 1.2 percentage points.

Who leads in FT poll of polls



Last night's FT forecast		Latest opinion poll	Betting odds	Futures trading
Conservative	[illegible]	[illegible]	Evens	[illegible]
Labour	306 seats	41%	8/11	305
[illegible]	[illegible]	[illegible]	[illegible]	25
		(NOP / Mail on Sunday) [illegible]	Ladbrokes [illegible]	Dealing on the number of seats (IG Index mid-prices)

* Weighted average of six most recent opinion polls computed daily. Does not include telephone polls, panel polls and those that omit sample size or field dates. The graph compares the parties' leads at similar points in the last two campaigns. The middle line marks level-pegging. If the black line moves left, Labour leads. The Tories lead if it goes to the right.

UK NEWS

ELECTION 1992

Major broadens tax attack

By Alison Smith

TORY CANDIDATES must ram home the message that Labour's manifesto programme would cost the average taxpayer an extra £1,250 a year, Mr John Major said yesterday as he broadened his attack on *Labour's tax plans*.

Speaking at a London rally of candidates, Mr Major highlighted both the shadow Budget and the Tories' calculation that Labour's programme would cost £38bn.

He ridiculed the small amounts for most gainers under Labour's proposals, and called the tax increases to pay for them "a systematic smash-and-grab raid on the independent, the hard-working, the middle-income families of Britain". His audience applauded strongly as he condemned Labour's Budget as "economic illiteracy with a dash of calculated malice; intended to wound, intended to bite. We'll make sure it's doomed to failure."

Mr Major challenged Mr Neil Kinnock to set out his own costed programme. "Stand by your promises – or withdraw them. Dig deep behind those *pledges and come up with the* tax, the whole tax and nothing but the tax."

He also touched on a traditionally strong Tory area – law and order – as he pledged to tackle property crime "as it's never been tackled before", and gave a bullish account of Tory achievements and promises on public services, particularly education and health.

In a vitriolic attack on Labour's tactics on the health service, he denounced Opposition "friends" of the NHS as "parasites who swoop on human error and personal tragedy, and can scarce disguise their relish as they do so".

In a *television* interview, however, Mr Major sounded defensive on the balance *between using the product of* economic growth for public spending and using it for tax cuts.

Questioned by Mr Brian Walden on London Weekend Television, Mr Major argued that lower taxes helped public services by "incentivising" the doctors, nurses and teachers who worked in them. Spending on public services was due to rise by more than £5bn next year, Mr Major said, while the Budget tax cut would cost only £1.8bn and was directed to people on modest incomes, many of whom in the caring services.

Mr Major also rejected the suggestion that the government *was uncaring towards* the unemployed. "If you really care about the people across this country ... you've got to take the decisions now to get rid of that cancer of inflation and have the right economic circumstances for growth in the future," he insisted.

He defended the flat-rate principle of the poll tax, which is being replaced by the council tax. On the government's original estimates of the charge at £224, it would have been fair because of the contribution to local government spending from the "sharply progressive" income tax system, he said.

Thatcher storms back to campaign fray

Philip Stephens sees the former prime minister relaunch the Tory bid for a fourth term

IT WAS NOT a day for subtleties. Behind in the opinion polls, the team running Mr John Major's general election campaign needed all the help they could get. So Mrs Margaret Thatcher, the leader the Conservatives had unceremoniously dumped, was re-enlisted to back her successor's cause.

Their joint appearance at a gathering of candidates in London was not a panic reaction to the opinion polls. It was agreed weeks ago that the party needed a public display of unity to heal the remaining wounds among its activists.

Few guessed then that her re-emergence centre-stage would coincide with a relaunch of the Conservative campaign in an abrasive style much more suited to her political image than to Mr Major's.

After 16 months of caring Conservatism designed to distance Mr Major and his colleagues from their predecessor, it has taken 10 days of uncertain campaigning to persuade them that the way to win the election is Mrs Thatcher's way.

Labour must be branded again as the party of socialists and pacifists, Mr Neil Kinnock as the unprincipled, untrustworthy leader who will say anything to get his hands on *the levers of power*. An electorate turned sullen and resentful by the poll tax and economic recession must be persuaded – as in 1987 – that Labour's tax and spending plans would rob them.

So, as Mr Major and Mrs Thatcher sat on the same platform, cabinet ministers who began long ago to speak of her in hushed, embarrassed tones, were promising to harness again her aggressive campaigning style.

Mr Chris Patten, never "One of Us", listed her achievements *in such glowing terms that* many in the audience must have wondered why she was not still prime minister. "Margaret's government," the party chairman declared, "transformed Britain in the 1980s. And no one should ever forget that."

Tony Andrews

Face from the past: John Major and Chris Patten welcoming Margaret Thatcher in London yesterday

Mrs Thatcher lived up to herself. In a passionate denunciation of socialism, Brussels and much else she dispelled any lingering suspicion that she might like to see her colleagues punished by a Labour victory.

There were faint jibes at her *successor – she feared the* "enormous detail" in his manifesto might obscure the important issues and reminded him that it was vital to keep a grip on public spending – but nothing that could be branded disloyal. Instead she promised her "most earnest endeavour" in the campaign, declaring: "Everything we have gained could so easily be lost unless we are returned for a fourth term under John Major's leadership."

The prime minister took up the same theme. In a speech delivered in unfamiliarly *harsh, and occasionally angry*, tones, he decried the "socialist stone age", the "politics of envy" and the "calculated malice" of his opponents. Mr Kinnock was mocked by name as party managers abandoned the earlier plan to keep Mr Major above the fray.

It was the approach demanded by the newspapers sympathetic to the Conservatives, which yesterday had lambasted the party's approach as weak and directionless. It was one that had Mr Norman Tebbit ready to praise a campaign team of which he had *previously been dismissive*. "At last they've stopped putting tranquillisers in his [Mr Major's] tea," he said.

Mrs Thatcher will not be here to see it through until April 9. Her aides said yesterday that she would be going ahead with a long-planned tour of the US during the last 10 days of the campaign.

Nor are all in the Conservative camp convinced that the aggressive approach which fires party activists necessarily wins the votes of waverers among the electorate. But Mr Major's team promised to press *ahead on the same tack until* polling day. And few caught the unintended irony when one strategist promised that today it was Mr Michael Heseltine's turn to be let loose on Labour.

City Watch: **Barry Riley**

The rush to cash in on savings fears

No industry is following the fortunes of the two main parties more closely than the savings industry, which directly feeds off tax, pension schemes and other highly politicised legislation.

Many investment companies are eagerly cashing in on the rush to buy personal equity plans, with investors calculating that tax breaks which are only marginal in value under the Conservatives would become worth a great deal *more* under Labour's anti-middle-class tax regime.

Save & Prosper hopes to hit Pep sales of £150m in the financial year now drawing to a close, against £85m last time. Total industry Pep sales may well be £2bn or more, against £1.6bn in 1990-91, and if Labour wins there will be a torrent of money into 1992-93 Peps before a Budget can be produced which might end them.

Labour has proposed to modify Peps, rather than abolish them. They might be made smaller, but broadened away from their all-equity basis. Mr Julian Tregoning, marketing chief at Save & Prosper, says: "We would like to give some input to the debate on Peps."

The product area causing most concern to life assurance companies is personal pensions. Labour has promised to cancel the 2 per cent "bribe" being paid for the next two years to individuals opting out of the state scheme, Serps, and threatens to require personal-pension providers to give a pension guarantee related to growth of average earnings.

Mr John Craddock, head of life and pensions at Legal & General, says that the ending of the 2 per cent incentive would be "very unfair". L&G fears that as many as 1.5m of the estimated 5m personal planholders might return to Serps.

As for the guarantee, Mr Ron Spill of L&G says: "We cannot accept an open-ended liability related to average earnings." The very survival of personal pensions might, therefore, depend on some sort of compromise.

However, a Labour administration might bring opportunities as well as hazards. At Invesco MIM, Mr Keith Crowley, marketing director, is ready to change direction. "You should have started the planning process three to six months ago," he says. "Flexibility is next to godliness."

He sees tax angles becoming more important. Labour's preoccupation with promoting manufacturing investment might provide opportunities, and at the very least there will be scope for some "buy before the tax deadline" promotions.

Meanwhile, life assurance experts argue that tax changes might favour life company 10-year savings plans and lump-sum products, which at present bear both income tax and capital gains tax at the standard rate. This might look more attractive if many more people are paying income tax at up to 50 per cent, and the capital gains tax exemption limit is sharply reduced from the Tory level of £5,800 for 1992-93.

More pessimistic people in the savings business fear that higher taxes and a crumbling house market could cause severe damage. The middle classes struggling to pay mortgages and school fees would have nothing left for savings.

The more sanguine argue that higher taxes will generate more opportunities for those savings institutions that come up with the right products.

But the tax breaks on mortgages, pensions and life assurance which protected the middle classes in the 1970s have been reduced or eliminated. Most top people in the savings industry will not look forward to testing the limits their powers of ingenuity under Labour.

'Labour gain' stocks extend lead

By Peter Martin

THE FIRST full week of the general election campaign proper has seen a clear gap open in the FT Election Share Index between those shares that stand to gain if Labour wins and those that would lose from a change of government.

The index, published daily during the campaign, consists of 10 stocks which might outperform in the event of a Labour victory and 10 which could benefit from a Conservative win.

The "Labour gainers" have outperformed the main big-company index, the FT-SE 100, and are very close to the level at which the campaign started.

"Conservative gainers", on the other hand, have lost 6 per cent of their value during the campaign, with some shares much more badly affected. BET, for example, the business services company, has seen its shares drop from 153p to 125p, an 18 per cent fall. Investors are worried that the company's costs would rise if a Labour minimum wage pushed up the pay of office cleaners and other service workers. (BET argues that it should not be included in this portion of the index, as it has a construction business that stands to gain from any increase in infrastructure spending if Labour wins.)

Courtaulds Textiles, down 9 per cent, also stands to lose from a minimum wage. Another big loser, National Power, down 12 per cent, is threatened with tighter regulation under Labour.

The performance of the Labour gainers has been helped by BAT's 5¼ per cent rise since the election was called – mainly due to the company's announcement last week that it would pay a higher dividend. The 4.7 per cent drop in the share price of Land Securities, the worst-performing Labour gainer, is indirectly connected to politics. Property firms are particularly sensitive to changes in long-term interest rates, which have been rising steadily over recent weeks as both parties have indicated they would increase public-sector borrowing.

The index at market close on Friday was: Labour win/Conservative defeat shares 99.26; Conservative win/Labour defeat shares 93.42; FT-SE 100 index, rebased 97.37.

The base for the index is closing prices on the day the election was announced, Wednesday March 11. Both sections of the index are set to 100 at that date. The index is constructed on the same basis as the FT 30-share Ordinary index – which makes it highly sensitive to day-to-day share price movements and unsuitable for long-term performance measurement.

FT ELECTION SHARE INDEX

Labour win/Tory defeat stocks
(% change since March 11)

1.	BAT – profits mostly overseas	+5.5
2.	ICI – ditto; kingpin of favoured manufacturing sector	–3.0
3.	Blue Circle – infrastructure spending	–2.4
4.	Taylor Woodrow – infrastructure spending	+2.7
5.	BICC – infrastructure spending	–4.5
6.	GEC – ditto, plus good at dealing with governments	+0.7
7.	APV – capital goods, at core of manufacturing	–1.7
8.	Rolls-Royce – ditto, plus better chances of subsidy	+2.7
9.	Zetters – Tory lottery threat to pools	–0.8
10.	Land Securities – gain from tight Lab planning policy	–4.7

Tory win/Labour defeat stocks

1.	Courtaulds Textiles – Lab poses minimum wage threat	–9.1
2.	BET – minimum wage	–18.3
3.	Hanson – Lab threatens curbs on UK takeovers	+1.1
4.	S.G. Warburg – ditto, hitting corp finance revenues	–7.5
5.	Thames Water – Lab renationalisation threat	–5.5
6.	BT – Lab regulation, plus keen on fibre-optic network	–4.5
7.	National Power – Lab regulation	–12.4
8.	Prudential – Lab life insurance regulation	–3.8
9.	Forte – Lab minimum wage	+2.6
10.	Whitbread – min wage, brewers' traditional Tory links	–6.5

Joe Rogaly

Ready for a dog fight

Mr Neil Kinnock must be quaking. After much thought and many strategic meetings the Conservatives have devised a cunning plan to foil his evil designs and stop him from becoming prime minister. They have unleashed the Dogs of Yore.

Yesterday we had the toothy snarls of Mrs Margaret Thatcher, a pensioner. In November 1990 her presence was regarded as so damaging to the Tory cause that she had to be put down. She was wonderful in 1979, but is she right for 1992? We also witnessed another lap in the long-distance run of a sleek if aging greyhound, Mr Michael Heseltine. He is still well able to stand on his hind legs, pose as Pointer indicating the Labour quarry, chase the Red Fox, yowl and growl, and perform wondrous tricks. These may not frighten the enemy, but they are painful reminders to Conservatives that if he had become Top Dog Mr Kinnock would have been barked off the premises long ago.

Mr Douglas Hurd is also to be let fly to protect the wallets of us highly paid folk from Mr Kinnock and his gang of pickpockets. Oh my wallet! Oh my chequebook! Oh my luxury holiday for two in the villa of my choice! Doomed, doomed, doomed. Mr Hurd has pedigree, breeding, and good Foreign Office training. He is a classy canine. *But a Dog of War?* The nearest young-ish hound to approach such a definition is Mr Kenneth Clark, a jowly bulldog. He can be tenacious. Yet for some reason that I cannot quite understand he frightens floating voters.

That's enough dogs. The truth is that the great Conservative cry that went up towards the end of last week was a yelp of despair. The call was for a tougher brand of rhetoric. To achieve this the party's more forceful speakers were to be asked to speak forcefully. The underlying, hardly spoken, meaning was that Tories were losing confidence in the effectiveness of Mr John Major.

I am not so sure. His quiet, patient decency – or his new "tough" manner – may yet come through, if slowly. The question is, will it make any difference? If Mr Major loses this election it will be because of wrong strategic choices he made in November 1990, when he decided not to risk an immediate contest, and again on several occasions last year, when he missed further auspicious dates. He let his good chances go because, as a man made by the Treasury, he placed his faith in the Treasury and its forecast of better times this spring. If he is now broken, it will be by the Treasury's hand.

If John Major is now broken, it will be by the Treasury's hand

This is not to say that the prime minister is a *strong* campaigner. He suffered piteously under the vicious onslaught of Mr Brian Walden on London Weekend Television *yesterday*. Mr Walden hit him where it hurts most – in his carefully cultivated, and sincerely based, "caring" image. The interview put Mr Major on the defensive, and kept him there. He defended himself, with good words but poor body-language, against the charge that voters "don't trust you on the ... National Health Service ...". He recoiled from the assertion that people want all the fruits of growth to go to public services, and none of it to tax cuts. He was obliged to review the unfortunate remark of Mr Norman Lamont that rising unemployment and the recession were a "price well worth paying" to get inflation down.

Mr Walden's techniques are well-known. Mr Major should have been coached in counter-offensive tactics; he might have got in some positive statements about his own party and some negative ones about the opposition. He was too polite. The Walden steamroller flattened him. It was *unfair, but if* you want to lead a great party to victory you must know how to overcome unfairness.

The opposition's superstar, Mr John Smith, is a master of this art. Interviewed more softly by Mr Jonathan Dimbleby on the BBC than was Mr Major by Mr Walden, the shadow chancellor easily maintained his dazzling performance of the previous week. The principal charge against him – that Labour was not as serious as are the Tories about bringing down inflation – was answered in words that fall to pieces when the cold text is deconstructed, but that stood up well as part of his powerful television image. He easily brushed aside a silly intimation by Mr Roy Hattersley – not one of Labour's assets – that the top rate of income tax *might be raised even further* than Mr Smith's 50 per cent. He was grateful to Roy for trying to give him a little flexibility, but 50 per cent it was, said Mr Smith. Then the St Bernard of the Labour party continued his rounds.

Ashdown pushes education up agenda

By Ralph Atkins

THE LIBERAL Democrats have sought to focus attention *on the party's plans for a £2bn* increase in education spending by hinting that it could become a condition for their support in a hung parliament.

Mr Paddy Ashdown, party leader, was meeting strategists last night to endorse the addition to the Liberal Democrats' terms for a coalition. A party political broadcast this week is being reworked.

The Liberal Democrats believe their pledge to raise income tax by 1p to fund education is winning support among voters. One official said *the party was determined to* present its proposals with "panache".

By setting extra education spending as a pre-condition for its support in a hung parliament, the party may raise education as an issue.

Meanwhile, Mr Ashdown attacked suggestions that the Tories may forge a deal with the Ulster Unionists in the event of a hung parliament.

It would be "utterly discreditable" and would jeopardise moves towards peace in Northern Ireland. His party would have nothing to do with such a deal, he said.

Speaking on BBC Radio, Mr Ashdown said proportional representation at Westminster was the essential pre-requisite for his support in a hung parliament. After that, there would have to be an agreed programme. "Essential to that programme for government will be a commitment to invest in education of the sort that we have made," he said.

A case of the jitters in the Tory press

The Tory press has concluded that the Conservatives lost the first week of the election campaign and may well lose the election itself if they do not step up the fight. Some of the comments have been quite sharp. Andrew Neil, the editor of The Sunday Times, wrote a signed editorial in his paper yesterday headed "Round one to Labour".

It said: "The Tory performance so far has been dismal. It must now have dawned on the prime minister and even the most complacent of his advisers just what a weak hand they have dealt themselves. They were warned not to go into the election with the present lacklustre team, and especially the present chancellor." (The Sunday Times has long campaigned against chancellor Lamont.)

Other Tory newspapers have come to much the same conclusion, urging John Major to take off the gloves. Old loyalties to Margaret Thatcher are reasserting themselves in the The Sunday Telegraph and Sunday Express.

There may be a note of panic, too, about the role of the Tory press under a Labour government. The Murdoch group, with its five titles, is vulnerable to Labour's promised attack on concentration of ownership. It would not be unknown for *a Murdoch title to switch sides* – Murdoch's Scottish Sun has already declared for an independent Scotland and his papers outside Britain have proved politically flexible. In England, only Today has hedged its bets so far.

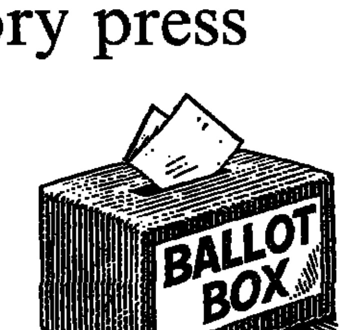
In the Tory party, the panic *runs deep. Remember "wobbly* Thursday" in the last general election? The Tories suddenly thought that they might lose and started quarrelling among themselves. It was a false alarm. This time there is rather more justification. If they do lose, the inquest will be horrendous.

Change of view

Peter Mandelson's exile to the north-east, where he is fighting to become MP for Hartlepool, is not preventing him from playing kingmaker, a role he pursued vigorously when in charge of Labour's communications strategy.

Mandelson's regular column in The People yesterday had kind words for Harriet Harman, a Labour health spokesman, and Tony Blair, shadow employment secretary, whom Mandelson bizarrely thinks emerged "entirely unscathed" from a drubbing on the minimum wage with a nursery owner on the BBC's Election Call.

Even more striking is



Mandelson's plaudit for Bryan Gould, shadow environment secretary, whose soaring reputation Mandelson quietly helped contain in the late 1980s, when the Kinnock entourage thought him over-ambitious and loose of tongue.

Out of area

Scotland is once again acting as a proving ground for brave young Sassenach Tories who have not yet earned a winnable seat in England.

The honour of fighting Glasgow Provan, one of the *safest Labour seats anywhere*, goes to 26-year-old Andrew Rosindell, from Romford, Essex. In 1987 the Conservative candidate – a Londoner – narrowly beat the Alliance for third place with less than 8 per cent of the votes. Labour took 73 per cent.

This time fewer of the mini-biographies in the guide to Scottish Conservative candidates betray an English provenance than in 1987, but the birthplace and schools of some hopefuls are conspicuous by their absence.

New wave

The Islamic Party of Britain opens its general election campaign today with a promise to take power away from private banks, create a national credit office and lower tax brackets in line with the Channel Islands.

The party will contest five constituencies where ethnic minorities form around 20 per cent of the electorate – the three seats in Bradford, West Yorkshire; and Streatham and Vauxhall in London.

Charitable

Controversy continues over last week's incident in Bolton, when John Major was jostled by a crowd he later dubbed "the ugly face of Labour".

Norma Major, writing in yesterday's Sunday Express, says she paused to take photos of the jostlers: "They were not very photogenic. I wonder if they will bother to vote!" The ugly face of Labour not bothering to vote?

New Jaguar chief seeks increased output

By Kevin Done, Motor Industry Correspondent

MR BILL Hayden, chairman and chief executive of Jaguar, the heavily loss-making luxury car subsidiary of Ford of the US, is to retire at the end of the month. He will be replaced by Mr Nick Scheele, previously president of Ford of Mexico, and Jaguar vice-chairman since January 1.

Mr Scheele must implement the ambitious Jaguar new product plan devised following Ford's £1.6bn takeover at the end of 1989, which is aimed at boosting production by the end of the decade to more than 100,000 cars a year, four times last year's depressed output level.

The product programme, which is expected to involve a capital investment of more than £1bn through the 1990s, will focus on the development of three new model ranges, as well as the development of a new engine family.

Mr Scheele said the "challenge" facing Jaguar was to deliver the product programme on time and within budget.

The company was still "grappling" with the issue of the degree to which Jaguar should use common components with Ford. He said Lexus, the Japanese luxury car range, shared many components with Toyota "and we must reduce our costs." Jaguar was currently planning to raise production this year to 27,500, but "that assumes a recovery in the second half of the year," he added.

According to Mr Hayden Jaguar's break-even point has been reduced to around 34,000 cars a year. The company was seeking to improve productivity by around 25 per cent this year after a gain of 28 per cent in 1991, said Mr Scheele.

The company is also planning to reduce its workforce by around 10 per cent or some 800 jobs this year, after cutting employment drastically by a third in 1991 to 8,015 from 12,100 at the end of 1990. The company has become alarmed by the fall in owner loyalty in the US, from a traditional level of around 70 per cent to only 30 per cent last year, said Mr Scheele.

Jaguar is hoping that this trend can be reversed by its substantial progress in overcoming its earlier quality problems. Mr Scheele said that quality had shown a six-fold improvement in the last two years.

Background, Page 14

Retail sales dominated by top stores

By John Thornhill

THE recession has markedly accelerated the concentration of retailing power in the UK, according to a new report from the Corporate Intelligence Group, the retail consultants.

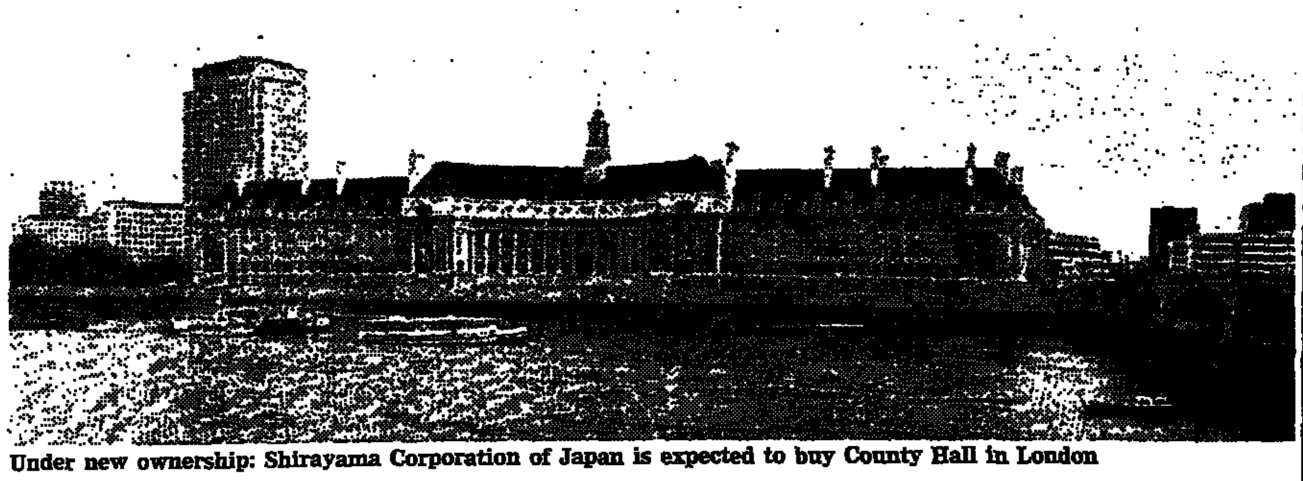
The 10 biggest retailers in the UK now account for more than one-third of all sales.

The report says the top 500 retailers in the UK now account for 70 per cent of all sales leaving 240,000 independent companies competing for the remaining 30 per cent.

Significantly, the report estimates that overseas retailers accounted for more than 60 per cent of the value of retail acquisitions in 1991.

The top six grocery retailers account for 75 per cent of food sales and the top three home improvement chains command 48.5 per cent of the home improvement market.

The report, however, supports a widespread view in the industry that the big multiple retailers, many of which are publicly-quoted, are polarising between the strong and the weak.



Under new ownership: Shirayama Corporation of Japan is expected to buy County Hall in London

Japanese likely to buy County Hall

By Gary Mead

A JAPANESE company is expected to sign a controversial deal today to buy one of London's most sought-after buildings: County Hall, the empty headquarters of the former Greater London Council (GLC) on the river Thames.

Mr Bryan Gould, Labour's environment spokesman, said he was "outraged" at reports that the London Residuary Body (LRB) – responsible for winding up the affairs of the GLC since its 1986 abolition – plans to sell County Hall to Shirayama Corporation, a private Japanese company, for development into a hotel.

Shirayama Corporation was founded in 1921, has only seven employees and is capitalised at Y100m. Its owner, Mr Shirayama owns real estate in Osaka. In 1989 his company acquired a Madrid hotel for £48m from Bass, and participated in a previous tender bid, which collapsed, for County Hall, in 1989. However, Mr Michael Heseltine, the environment secretary, is expected to tell Mr Gould that no decision will be made before the election.

The LRB offered the buildings, on the south bank of the Thames near Westminster Bridge, for sale in 1990, following the demise of the Inner London Education Authority, County Hall's last tenant.

Officials at the Department of the Environment, to which the LRB answers, yesterday said negotiations were at a delicate point. "But we understand that they have reached agreement and there will be a formal signing tomorrow."

The Department refused to confirm that Shirayama Corporation was the buyer, but only Shirayama and the London School of Economics have shown recent interest.

Mr Ian Crawford of the LSE said: "We were assured by the Department of the Environment that nothing would be finalised until after the election." The LSE is believed to have offered £100m for the site.

Assertive secretaries find less favour with bosses

THE PERFECT secretary, from a boss's point of view, shows initiative and is accurate, but is not assertive and probably does not display a sense of humour, according to a survey of over 500 secretaries and 300 managers published today by the Industrial Society, writes Diane Summers

Many secretaries felt trapped in their jobs and were still treated as glorified typists in spite of their "amazing mix of skills," said the Industrial Society. Managers were wasting their time and their companies' money by failing to delegate tasks properly to their secretaries.

Asked which attributes they rated most highly in secretaries, managers put initiative top, followed by accuracy and confidentiality. Low ratings were received for flexibility, confidence, knowledge and tact. Bottom of the list of desired qualities came a sense of humour and assertiveness.

Over 40 per cent of bosses saw typing as the first priority in a secretary's job, according to the survey.

BRITAIN IN BRIEF

Labour look at public sector pay reforms

Leaders of the opposition Labour Party are considering changing the way in which public sector pay is determined and, if elected, may establish a permanent Public Services Pay Advisory Commission to decide pay awards.

They have also indicated that they would not abandon the current attempt to introduce performance related pay for 500,000 government officials and believe that unions, sceptical about the current plans, would co-operate with a "sensible" system of performance pay.

The Public Services Pay Advisory Commission (PSPAC), which would be fully independent of government, would supercede the existing pay review bodies which fix pay for nearly half of all public sector employees.

Hospital trusts may go private

Self-governing hospital trusts will move into the private sector unless limits are introduced on the number of beds used for private treatment, according to the NHS Support Federation, the health service pressure group.

Ms Julia Schofield, director of the federation, said NHS patients would be left with worse care and longer queues as trust hospitals increasingly turned to a more lucrative private market.

She called for the 10 per cent limit on private beds in NHS hospitals to be extended to trust hospitals.

Campaign to fight 'tribology'

A national campaign is launched today to save British manufacturing industry £1.5bn a year by encouraging greater awareness of one of engineering's more arcane "ologies" – tribology, or the study of friction, lubrication and wear.

Complete with a self-help support package, telephone helpline and regional workshops, the Tribology Action campaign aims to declare "war on wear" and promote the application of the science across all areas of design, production and operation.

The campaign is organised by the Institution of Mechanical Engineers, supported by the government.

Pilots seek union leader

Leaders of the British Airline Pilots Association are recommending their 5,500 members to elect Mr Chris Darke, a national officer of the MSF general technical union, as their next general secretary.

Mr Darke, 42, a former communist who describes as being left of centre in the Labour Party, looks after MSF's chemicals industry members and before that was national officer for aerospace, defence and civil aviation.

Deadlines for the nomination of other candidates is April 6 but it is unlikely that a challenge to Mr Darke would succeed given the Balpa executive's recommendation. The post became vacant following the death of Mr Mark Young.

England batsman Graham Hick hits out yesterday.

England win chaotic game

England advanced to Wednesday's World Cup cricket final in controversial circumstances as rain ruined South Africa's desperate run chase at the weekend.

In a chaotic finish, South Africa's run target was amended from 22 off 13 balls to 21 off one ball. The crowd of 28,410 at the Sydney Cricket Ground reacted with outrage, throwing garbage on the playing arena and yelling abuse at the umpires and England players.

Spectators were outraged when the scoreboard put up the impossible target of 21 off one. England captain Graham Gooch admitted it was not the best way to advance to the final against Pakistan.

Checks made on Concordes

Checks have been carried out on all British Airways' Concordes after one landed at New York's Kennedy Airport at the weekend with section of its rudder missing.

The crew became aware of the damage two hours into the flight from London when they noticed vibration and shut down one of the jet's four engines. BA said the 64 passengers had been in no danger. It also said it was the third time in three years that a Concorde had lost part of its rudder in flight.

Investigations had shown previous losses, in 1989 and 1991, were caused by moisture getting into the sealed rudder unit during the manufacturing process.

Fresh boost for commerce

A national drive to widen the membership of Britain's chambers of commerce is to be launched by a direct mail campaign targetting 80,000 businesses throughout the UK.

Some 90,000 businesses are already affiliated members of the Association of British Chambers of Commerce but the association hopes to increase that to 150,000 by 1994.

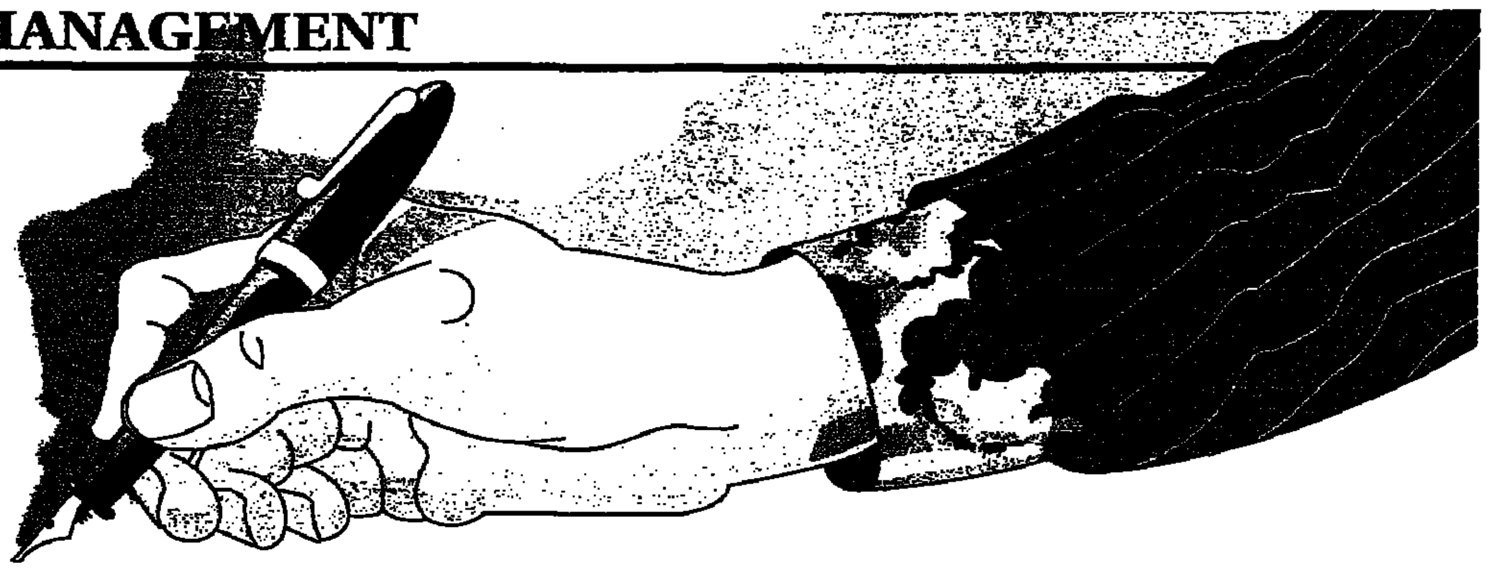
Tax on nuts

Tortilla chips, pistachio nuts in their shells, packets of poppadums and other savoury snacks may become liable for value added tax. A consultation paper issued by Customs & Excise calls for a comprehensive review of the VAT exemption of savoury snacks.

VAT is paid on potato crisps and salted peanuts, but many of the more exotic nibbles introduced over the last few years fall outside the legal definition of what constitutes a snack. The Customs paper does not specify that VAT will be extended, but says that if the borderline between snacks and food is made "too generous" it could lead to "an unacceptable loss of revenue".

Regimental ties in Civvy Street

Peter Miller looks at officers becoming city gents



Business metaphors such as "takeover battle" and "dawn raid" are coming into their own as officers leaving Britain's armed forces seek new careers in management and finance.

This year, the Army is shedding 850 officers in the first tranche of the Options for Change forces cutback programme, and over the following two years a further 1,500 or so will go. Smaller numbers – not yet announced – will leave the Royal Navy and RAF.

The Ministry of Defence is helping ease the transition of soldiers, sailors and airmen into the civilian sectors with special courses on subjects like business *management*.

Private sector consultancies are starting to get in on the act. Coutts Career Consultants has been awarded an MoD contract to counsel departing personnel.

It will be starting workshops in Germany and in the garrisons of Aldershot, Hampshire, and Catterick, North Yorkshire from April 1.

Right Associates, the outplacement group which runs job assistance centres for the US Army, is offering free advice on second careers to a senior officer from each of the three British services as a promotional gambit.

The idea is that the officers will give the agency tips on how to tailor its advice, and will also recommend it to fellow officers.

David Burden, director-general, resettlement, at the MoD, says 60 per cent those leaving the forces voluntarily or through redundancy get other jobs immediately.

They go into banking, education, engineering, the National Health Service – indeed to every civilian sector. At the end of six months, the success rate is 85 per cent.

The most obvious selling point for those who have held command in the armed forces is leadership.

But how well does military leadership operate when it changes to mufti?

Well enough to have persuaded 300 Dutch executives to pay up to FL3,000 (£925) each in December to hear Norman Schwarzkopf, the Desert Storm commander, lecture on the lessons of the Gulf war.

Schwarzkopf contended that both military and civilian leaders must have the courage to make decisions based on insufficient information.

Military training also equips people to respond properly to new data.

"Clever sailors are among the most adaptable of people," says *Michael Robinson, personnel* director for Henderson Administration Group, the City investment managers.

He left the Royal Navy in 1986 with the rank of commander, having been the captain of patrol craft in the Far East.

According to Brian Lees, a former head of technical intelligence for the Army: "Flexible is the first thing officers must be, because if you can't change your plan based on new information, you are sunk."

Lees is now a consultant for Lehman Brothers International, the investment bank, specialising in joint ventures in the Arab world.

The relevance of his view to business is clear. In an age of "managing change", who adapts wins.

Officers are trained to be good at logic, hard intelligence and sorting out data. But according to Roderick Macdonald, a serving British brigadier, the best are also aware of when a situation does not "feel" right.

In the civilian sphere, the ability to be both analytical and intuitive should help to break the tyranny of experts, he says.

The recommendations of, say, outside management consultants, should be viewed not as solutions to implement, but as adjuncts to what the executive knows of his own organisation.

So, will the flexible and intuitive, yet analytical, ex-services person find a smooth path into management? Not necessarily. There are things the military does not teach you.

For Joe Ruston, one of these things was how to negotiate with employees over pay and working conditions.

In the Royal Navy, in which he served for 13 years, "you never discussed with a sailor what he was paid, and conditions are laid down in the Queen's Regulations".

As chairman of Mander Portman Woodward, a London tutorial college, Ruston recalls how in 1981 he "got into a seriously bad mess" over a disagreement with his staff.

The Inland Revenue had pressed the college to take the teachers, *then self-employed, into the Pay As* You Earn income-tax net. After a fight with the tax-man, the college gave in, only to be faced with two months of industrial action by unhappy staff.

"I felt betrayed," says Ruston. "I'd probably been too paternalistic, but I had looked after them and now they were giving me a hard time. I think I was applying a service attitude.

"I hadn't cottoned on to the financial side of man-management. When I wanted to tighten the screws, I *couldn't do it*.

"I reacted wrongly and my service training hadn't prepared me for that at all." Eventually, the dispute was resolved to the satisfaction of both sides.

Advance clues about how former military people may react to certain types of situations could, therefore, be useful – to them and their new organisations.

Richard Sale, a Cyprus-based staff officer, has attempted to put his finger on characteristic military qualities by using the techniques of psychometric testing – the assessment of personality traits according to a fixed set of criteria.

In a paper for the Royal Military College of Science and Cranfield Institute of Technology, he collated the responses of 49 brigadiers to computer tests and questionnaires.

The officers who were tested – 80 per cent of the brigade commanders in the Army in 1990 – were found, on balance, to be sociable, energetic *and goal-centred individuals who* liked solving difficult problems, "sometimes ingeniously".

They were flexible planners, sought variety and change and were consequently easily bored.

Outgoing in nature, they were confident with new contacts. At the same time, the subjects' profiles suggested that they could seem domineering to independent staff and lack tact at times.

Their *very ebullience did not* fit them for a quiet, low stimulus environment. And they "may struggle with a role that demands a high concern for detail".

Sale concludes that officers transfer easily to the civilian sector, and they are particularly well suited for senior executive positions in sales and marketing.

For all of that, it would be surprising if many job-changers did not experience a clash of cultures. Some will, for the first time, be working with women as equals.

Others may need to get used to a less hierarchical management structure in which the trappings of achievement are harder to discern than they are in the armed forces.

Unlike Alexander, today's paladin does have new worlds to conquer.

Going to work on ageism

Diane Summers reports on plans to end discrimination

Labour of love: legislation may ban discrimination on age grounds

After sexism and racism, the next "-ism" to be tackled by anti-discrimination legislation could be ageism. One pledge to have gone largely unnoticed during the past few days of manifesto madness *is Labour's plan to* examine the feasibility of just such a law.

Employers could be banned from specifying an age for a particular post in a newspaper advertisement, in the same way that it would be illegal now for them to say they wanted to employ only a white person or a man.

According to Brook Street, the employment agency, age discrimination does not start at 55. Says Anita Higginson, marketing and training director: "If you're a judge it's OK to be over 70 and go on until you drop dead; if you're looking for a first secretarial job you could be finished by 25".

Associating particular jobs with particular ages is commonly an unthinking reflex on the part of employers, says Higginson. For example, the popular perception is that the chairman of a company – or, at the opposite end of the scale, a cleaner – will be over 50. According to a survey of 1,000 personnel directors conducted by Gallup for Brook Street, more than 60 per cent thought receptionists should be under 35.

The same survey revealed that nearly 80 per cent of workers over 50 believed they had been refused a job because they were too old, even though they had the relevant skills.

Some organisations have made a virtue out of breaking the stereotypes as they have struggled, particularly before the recession, to plug labour and skill gaps. B&Q, the DIY chain, for example, has stores staffed entirely by men and women over 50 and has proclaimed the policy an unqualified success.

Research by the World Health Organisation into Tesco's employees has found that older workers employed by the company are better with customers, more reliable, more responsible and less likely to take time off *sick* than their younger colleagues.

The Gallup survey for Brook Street was carried out two years ago and there are some signs that attitudes among employers are beginning to change. A recent survey, by Alan Walker and Philip Taylor from the University of Sheffield, suggests, surprisingly, that employers could now even favour outlawing age discrimination.

The survey of 500 employers, funded by the Economic and Social Research Council, found 55 per cent in favour of a law along the lines of the sex and race discrimination acts.

Some deep-rooted reservations about taking on older workers remain: the survey also found that employers feared they would not get a reasonable return on the money they spent on training older workers.

This finding is important for policy makers, given that three out of four respondents to the survey perceived a lack of appropriate skills as the top reason for not taking on older workers. Government policies on training have, to date, been strongly biased in favour of younger workers.

In spite of the Sheffield findings, Labour is likely to face strong opposition from employers' bodies to any plans for legislation. The Confederation of British Industry favours a voluntary approach and argues that there could be circumstances where it might be sensible *for employers to specify age when*, for example a post requires a particular level of experience.

Labour's argument is that employers have had plenty of time to reform. Guidelines from the Institute of Personnel Management, which have been in circulation for some time, strongly urge organisations not to specify ages in advertisements.

The Sheffield survey found that nearly half of employers had not seen the IPM guidelines although, "in some cases, the guidelines had been copied enthusiastically to all departments in an organisation".

If much age discrimination is based on an unthinking reflex, the Sheffield finding indicates that – considerable progress could be achieved simply by increased education of employers.

Upgrading water works

TAYLOR WOODROW's multi-discipline engineering and project management subsidiary Taymel has picked up two contracts for the water industry.

Work has just started on an £8.5m project for Severn Trent Water to refurbish and upgrade Mythe water treatment works near Tewkesbury, Gloucestershire.

This follows an award of £25m of mechanical and electrical work at Ashford Common water treatment plant near Staines where Taymel is part of the project team led by Taylor Woodrow Civil Engineering, the main contractor engaged on a major improvement programme for Thames Water.

At Mythe, Taymel - Taylor Woodrow Management and Engineering - is responsible for the design, supply and installation of granular activated carbon (GAC) filters, together with refurbishment and modification to the pumping, chemical dosing and associated control systems.

The two-year contract is designed to ensure that drinking water from the works complies with the Water Supply (Water Quality) Regulations, 1989.

Retail project

The expansion of Danish retailer Netto in the north of England is providing opportunities for British Industry.

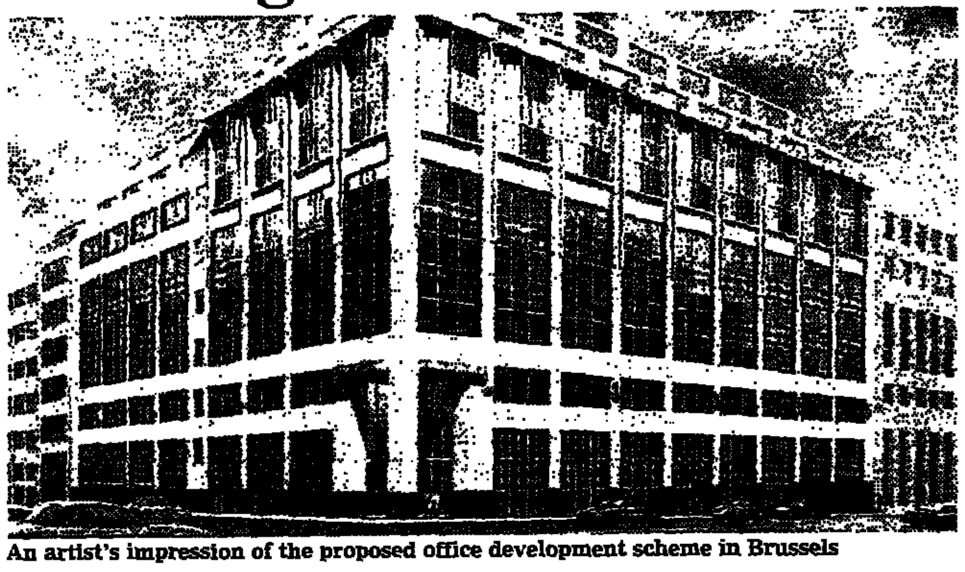
HENRY BARRETT's Bradford-based steel buildings division has won a £850,000 contract for the construction of Netto's first purpose-built 220,000 sq ft distribution centre in the UK.

The contract includes the design and build of structural steelwork, cladding and rainwater guttering.

The main contractor is Marshall Construction and the distribution centre will be built at South Elmsall, near Wakefield, West Yorkshire.

CONSTRUCTION CONTRACTS

Building offices in Brussels



An artist's impression of the proposed office development scheme in Brussels

BERNARD SUNLEY & SONS has been appointed construction consultants by Cominiere SA for a £9.4m office development near the European Community headquarters in Brussels.

Work recently commenced on site on the nine-storey office development in the heart of Brussels' commercial sector.

In 1990 a decision was made to develop the location by demolishing the existing stone-clad 1920's office building. Designed by Les Ateliers de Bruxelles, the multi-storey development will provide 12,474 sq metres of air-conditioned office accommmodation within an L-shaped building.

Improving access to Newmarket

The LILLEY GROUP has been awarded £38m of contracts during February and March.

The largest order, worth £9.3m, is the All Four Wentways to Newmarket contract, won by Lilley Construction. The contract involves the upgrading of the existing single carriageway to two lanes and the construction of new and realigned side roads and four bridges. Work is due to commence on March 30 and will run for 75 weeks.

Lilley Building has won a contract worth £5m to build a Post House hotel for Forte (UK) in Colchester. Work is due to start at the end of March and is scheduled for completion early in 1993.

Henry Jones Construction has been awarded a £5.3m design and build award for the construction of 124 dwellings and some infrastructure work at the Preston Barracks site in Brighton. The project will run for 72 weeks.

The remaing £18.5m of contracts were won throughout the group; the Scottish companies, Lilley Construction Scotland and MDW (£2.7m); the north of England companies, Eden Construction and Robison & Davidson (£9.8m); the Midlands operations, Lilley Construction Midlands, the Standen Group and Piper Buildings (£2.2m); and the southern-based companies, Henry Jones and Lilley Construction Southern (£3.8m).

£28m orders awarded to Mansell

MANSELL has been awarded contracts totalling £28m covering new build, design and build, refurbishment and fitting out.

In the leisure sector Mansell is working for the Hyatt Carlton Tower Hotel on a fast track 12-week refurbishment contract at its Knightsbridge hotel, value £1m; for Ladbroke Hotels the company is undertaking refurbishment work at its Hilton International, Regent's Park; and two further contracts, worth a total of £3m, are for Forte Hotels for construction work at Crest Hotel, Heathrow and the Cumberland Hotel at Marble Arch.

Other awards include work for various London boroughs, including the formation of a day care centre at Lewisham; two contracts worth £1.3m at Whitwell Road Estate, N13 and College Point, E15; the provision of a block of flats in Wood Green for disabled tenants at a cost of £300,000; a combination of new build flats and refurbishment to two 12-storey tower blocks in Croydon worth £2.25m; and the construction of a social club in Millwall for the London Docklands Development Corporation.

For Runnymede Borough Council, a design and build contract is for a day care centre in New Haw, Surrey, value £730,000. Eleven two-storey houses costing £630,000 are to be built in Hackney, E9 for Sanctuary Housing and the British Railway Board has placed contracts for work at Moorgate, Old Street, Finsbury Park/Highbury and Islington stations.

Major extension works will be undertaken at the Central School of Speech and Drama's Embassy Theatre and a programme of refurbishment at the Indian study room at the Victoria and Albert Museum.

PEOPLE

NatWest looks for 'material impact'

National Westminster Bank may not be able to do much right at the moment but at least it intends to buy right. Britain's second biggest clearing bank has hired Stuart Humby from PowerGen to be its first director of group purchasing.

Humby, 50, and a past president of the Institute of Purchasing and Supply, will be responsible for managing NatWest's £2bn annual spending on goods and services. He is one of a new breed of professional managers which regards the purchasing function as an "important competitive weapon".

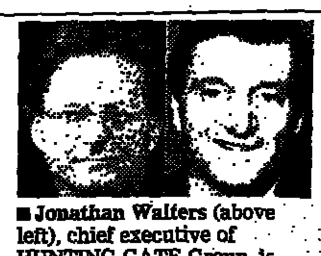
"The difference between looking after purchasing in a ham-fisted way and doing it to the ultimate professional standard could be as much as 25 per cent of the cost," says Humby, who has degrees in mechanical engineering and business studies. This appointment is believed to be the first time a clearing bank has hired someone of Humby's seniority and Bert Morris, a deputy chief executive of NatWest, expects that the initiative will have a "material impact" on the group's performance.

Traditionally, the big clearing banks have been slower than has industry in getting a grip on their costs and although NatWest's record in this area is not as bad as some, Humby believes that it has not taken the purchasing function as seriously as have companies like British Airways, Glaxo and SmithKline Beecham.

Although he will be building his new operation at NatWest "almost from scratch" he does not envisage having more than half a dozen people in the central operation. "One of the gravest mistakes in purchasing is to set up a large central organisation," says Humby.

He started work as an engineering apprentice at Cummins, and after spells at Krupp and ICI Fibres, he joined British Coal where he was deputy director general of supply and contracts and oversaw an annual budget of £1.6bn. In terms of annual spending his new job at NatWest will be roughly four times as big as his previous post at PowerGen and it will also be less orientated towards engineering and more towards buying of services.

Constructive careers



■ Brian Jolly, previously deputy md of CAPITAL & COUNTIES, is appointed md in succession to Ray Moorman who is taking early retirement.

■ Stewart Parnham has been appointed md of TEAM MANAGEMENT (NORTHERN); he succeeds Rob Johnson, who becomes an associate director of Team Services, the parent company.

■ Nick Price is promoted to become chief estates manager of NORWICH UNION following the retirement of Martin Olley.

■ Vincent Byrne, formerly md of Keir Building and a director of Beazer National Construction, has been appointed a regional director of CLUGSTON CONSTRUCTION.

■ Jonathan Walters (above left), chief executive of HUNTING GATE Group, is also appointed chairman on the retirement of John Redgrave. David Taylor, previously finance director of Watkins, has been appointed finance director.

■ Warwick Evans (above right), marketing director, and Peter Steckelmacher, finance director, have been appointed to the board of BALFOUR BEATTY CIVIL ENGINEERING.

■ Peter Evans has been appointed deputy chief executive of EBC Group.

■ Jim Bowyer is appointed md of J JARVIS & SONS; he moves from Norwest Holst.

■ Bill Nicholson, formerly md of Conder Cladding, has been appointed md of CONDER Structures; Geoff Cox becomes director and general manager of Conder Cladding.

■ Graham Pinkerton has been appointed director of engineering at AMEC Design and Management.

■ Robert Ewen, formerly project director at Schal International, has been appointed divisional director of BOVIS Program Management.

■ Richard Hankin, south east regional director of Maunsell, is appointed to the board of MAUNSELL ASSOCIATES; Paul Norman is retiring from the board but remains chairman of Maunsell International.

■ George Miller, md of Lovell Construction division, is appointed to the board of YJ LOVELL (HOLDINGS).

Michael Smith has resigned as a director of Globe Petroleum, the small oil exploration and production company. He joined Globe as a part-time director just a year ago and became its chairman last October. He subsequently became unwell and has resigned without giving a reason.

The company, which is currently pursuing an acquisition, says it is to replace him with four directors.

■ BRITISH BORNEO, the independent oil and gas exploration company, has appointed William Colvin as its first finance director. Colvin joins British Borneo from Oryx UK Energy, a subsidiary of the world's largest independent oil and gas explorer which has its headquarters in the US. Colvin headed the UK and other international operations.

British Borneo is aggressively expanding and recently bought the UK North Sea assets of Norsk Hydro, the Norwegian oil company.

Street wisdom in insurance

Brian Street, one of the UK insurance industry's leading experts on pollution, is changing jobs.

A chartered accountant who has worked in insurance for over 30 years, Street developed new products in such exotic areas as "malicious tamper" during his eight years with American International Group, before turning his attention to environmental matters in 1988.

Now, at 54, he is to become director of operations of a new UK venture by ECS Underwriting which acts as an agent for another leading US player, Reliance National.

ECS is well known in the US for providing environmental liability insurance products and services and will now seek to expand its market into Europe.

An advocate of a more scientific approach to underwriting, Street is highly critical of the approach to pollution adopted by many UK insurers which could eventually leave them with large losses.

Indeed, with European environmental law increasingly influenced by legal principles common in the US – such as the "polluter pays" – Street expects pollution to become a big issue for insurers and policyholders alike in the 1990s.

ARCHITECTURE

How elegance has been Fostered in Japan

Colin Amery admires Century Tower in Tokyo

Two things stand out from a recent visit to Japan. One is the quality, range and sheer style of much of the newest architecture. The other is the advanced and forward thinking nature of the higher echelons of the Japanese building and contracting industry.

I was impressed by the willingness on the part of corporate clients to build large, expensive, often experimental, buildings – something that is relatively rarely done in the UK. The very high price of land in the capital, Tokyo, makes the actual cost of a building relatively cheap, which may explain the willingness to commission bold designs. High site values can , of course, also mean that buildings of a low standard are erected quickly and cheaply, their quality only controlled by official regulations. I suspect that the strong, almost fierce, corporate competitiveness is mainly responsible for the need to impress by architectural innovation as well as, the now expected Japanese technological ingenuity.

One of the most interesting and important new office towers in Tokyo is the Century Tower, the result of a three-way cooperation between client, architect and contractor. Kazuo Akao, who runs the Obunsha Publishing Group, acted as developer; his choice of designer was the British architect Sir Norman Foster; and the contractor was the Obayashi Corporation.

Mr Akao is an aficionado of contemporary art and a collector of the work of artists like Carl André and Richard Long (he also has a remarkable collection of traditional Japanese art). His admiration of Norman Foster's work stems from his enthusiasm for the headquarters of the Hongkong Shanghai Bank in Hong Kong which he visited and studied in detail before commissioning him to build in Tokyo.

Century Tower has been open for about ten months and is already seen as an exemplar of advanced office design. Situated in the central Bunkyo-ku district of Tokyo, it is first seen from the south, rising above the canal. The most striking feature is the dominant entrance facade, an eccentrically braced steel frame rising up the front of the building like a vertical line of Shinto-like arches.

Because of the possibility of earthquakes in Japan, seismic shock resistance plays an important role in the design of any new building. Main structural floors are known as stability floors and they are double height. Century Tower is in fact two towers – a south tower of 21 floors and a north tower of 19 – linked by an atrium. A giant red and white mast stands on top of the taller tower, adding both height and colour.

The visitor enters the block from the street underneath one of the giant structural arches. The first impression of the huge entrance is of calm elegance. You walk on a black granite floor, drawn towards the sombre black water table, two enormous blocks of Zimbabwe granite covered by a sheet of moving water. This mirrors the whole space while making a gentle, soothing sound as the water overflows down the sides of the granite blocks alongside the stairs that lead to the basement. These mesmerising water sculptures were designed by the American water artist, Richard Chaix, from Carmel, California. They are beautiful – almost ritualistic – in their strong presence. The ancient symbolism of the purifying effect of water at the temple's entrance is interpreted here in a modern form.

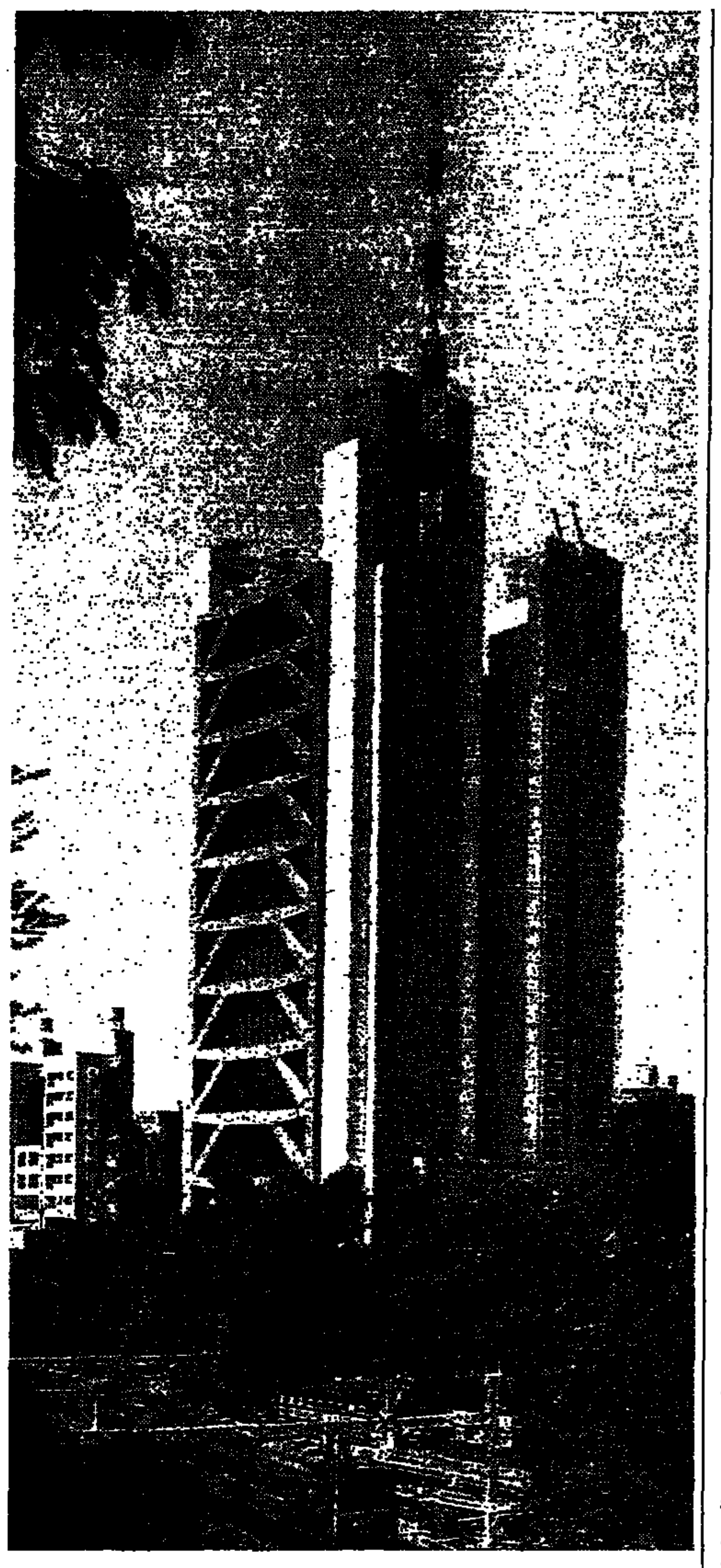
A glance upwards from the grey, granite elegance of the entrance hall reveals the height of the atrium and the visible office floors. Another glance to the rear of the hall and you observe the spectacular glass roof that shelters the swimming pool, health club and restaurant on the lower floors. This is a superb sweep of glass that follows a perfect catenary curve (the curve that you would get from a chain or rope hanging freely from two fixed points that are not in the same vertical line). This sweeping shape also has visual associations with traditional curved roofs of Japanese shrines of the Nagare, Hie and Kasuga periods.

Lured by the gentle flow of the water slipping over the black granite, most visitors with no business appointment would descend to the Century Museum on the lower floor. Foster likens this to a journey into a cave and certainly you move from the dripping black walls into a dark, rich room. This is lined with simple glazed show cases displaying some of Mr Akao's collection of Oriental art and sculpture, quite magnificently lit by lighting designer Claud Engel. The Health Club and Thai restaurant beneath the sweeping curved glass roof are both incredibly elegant. Although it was hard to see the pool, so exclusive is the club, I did glimpse a row of fountains beneath palm trees and sense the simplicity of the dark, empty pool.

The contractor, Obayashi, had a daunting task making the innovative Foster design operate within the tight Tokyo building and safety regulations. That it has succeeded by ingenious interpretations of the fire codes within the open nature of the plan is impressive.

With any Norman Foster creation one has come to expect only the highest quality of finish and detail. In Tokyo this is certainly the case. There is also the Foster absence of colour, even a relentless greyness about the environment. However, I saw the building on a grey, snowy day and so did not experience the play of brightness and light that is the main reason behind the great top lit atrium that brings natural light to every floor in a way that seems simple but is, in fact, very hard to achieve effectively.

Two questions are promted by the Century Tower. Why do we not have a comparable large commercial office tower by Foster in the UK, and why has Foster's elegant design for an hotel in Knightsbridge, London, recently been refused planning permission? Tokyo sees the point of elegance. Has the City of Westminster planning committee no vision at all?



Century Tower: Norman Foster's Tokyo masterpiece

New York City Ballet

Alastair Macaulay

It seldom happens that people realise that they are living through a Golden Age, but in New York there are many who did just that. That age, it is now plain, lasted from 1948, when George Balanchine and Lincoln Kirstein founded New York City Ballet, till 1983, when Balanchine died.

But the vitality of this extraordinary company was directly related to Mr B. himself, to his vigilance in the wings every night and to his tuition in the classroom every morning. "What are you saving it for?" he never ceased to ask his dancers. He wanted more energy, more stretch, less acting, more clarity, more daring, more musicality.

NYCB still dances most of Balanchine's ballets, and they are still the greatest works ever choreographed. The dancers present feats of technique and speed that any other ballet company in the world might envy. But the bodies are not radiant as they used to be, and neither are the steps. Watching a Balanchine ballet danced now by what was once his company can be like walking round a great old cathedral in winter with no light. Yes, this would indeed be one of the shining achievements of the human spirit, if only it would shine – if only we could see it.

Of the eight Balanchine ballets I saw NYCB dance in February, I felt this most painfully in *Divertimento no 15*. This has been the most ineffable of all ballets. Somewhere in my head I will always carry, like iridescent bubbles, images from the Allegro theme-and-variations sequence of solos in this celestial Mozart ballet as they used to be danced: images of beauty and brilliance that truly enshrined a sublime moral vision. Calling ideally for five ballerinas and three male classicists, it is now both gravely undercast and underdanced. In the two performances I saw, only Nichol Hlinka, in the first variation, had something of the right high-density fullness. Judith Fugate, a soloist at heart and at best, was lost in the diamantine dances for the prima. And a ballet that used to be, even in inferior performances, a shimmering construction of noble idealism, musical wit and gossamer delicacy had shrunk to become a nice little posy of pretty dances for some good girls and their partners.

During Balanchine's lifetime, any talk of New York City ballet involved talk of Mr B's favourites. (He married four of his ballerinas and was in love with several others.))This is one NYCB tradition that continues strong. Gossip and serious criticism have focused on the women in the life of his successor, the Danish-born Peter Martins. Heather Watts, his first and longest-lasting American girlfriend, is still featured in a dismayingly large sector of repertory. I wrote here about this two years ago; suffice it to say that that her inadequate technique and over-interpretation are such that I, like many New Yorkers, now avoid those ballets in which she is cast.

RecentlyMartins married Darci Kistler, the last baby ballerina to have been nurtured by Balanchine and a beloved source of light on the State Theater stage; and she is the ballerina of Martins's new post-modern post-Mozart ballet, *Delight of the Muses*, set to a commissioned score that composer Charles Wuorinen has based on two Mozart sonatas and stage music from *Don Giovanni*. The use Martins makes of Kistler is as curious and as dispiriting as the use he has made of Balanchine, whose precedent seems, as ever, to have been buzzing in Martins's head. Whereas Balanchine would often ask a male dancer to partner more ballerinas than one, here Martins has Kistler partnered by two men – Jock Soto and his own son (her stepson) Nilas Martins.

For "partnered," read "pestered." They won't leave her alone, and they are forever invading her space. She is forever hedged in, her path blocked, her sky clouded. The mood is meant to be jokey, and Kistler smiles sweetly through everything. But it is a sorry spectacle; the aftertaste is sour. Wuorinen's orchestration and rejigging of Mozart has much the same cramped, clever, mean spirit as Martins's adaptation of the high-classical Balanchine-baroque model (in particular, the style of *Divertimento no 15*, which, for *Delight*'s first two performances Martins featured on the same programme).

One's view of City Ballet is not helped by the fact that Kistler, whose career has been bedevilled by injury, has been dancing way beneath her old form. (She is still under 30.) I saw her also in Balanchine's *Duo Concertant* and *Mozartiana*. Her never-failing musicality always helps her to reveal the shape and spirit of a role; and in both there were moments of of the most radiant purity. There were also, however, numerous smudges and blurs.

It was more satisfying to watch Kyra Nichols, who is still in her mid-30s the most lucid classicist in the world. I have seen this dancer, again and again in the past ten years and more, make time stop. Suddenly, amid one of her prodigious feats of speed or aplomb, she will make a step stop, slow down or just beam forth with redoubled brightness. These moments are not to be predicted, but when they occur – as, this February, in Balanchine's *Tchaikovsky pas de deux* – they are always amazing. Yet she is still a glorious dancer in ballets that give her no such opportunities. She now dances the role that in 1980 Balanchine made on Karin von Aroldingen in *Robert Schumann's "Davidsbündlertänze"*; her lyric grace (an improvement, I find, on von Aroldingen's eloquent but heavier, more acted and less danced account) illumined the ballet anew, like the white Northern light on the ballet's backdrop. I have never seen Jerome Robbins's *Afternoon of a Faun* danced with greater simplicity; and she was even more breathtaking in his *Dances at a Gathering*.

NYCB has other fine dancers too. I have for some seasons delighted in Damien Woetzel (who often partners Nichols), and now I am also happy to have discovered young Ethan Stiefel. Nichol Hlinka, mentioned above, is a welcomely individual dancer, audacious and dark-glowing. There are dancers in the corps to keep Balanchine's picture of youth and harmony in *Le Tombeau de Couperin* alive. But NYCB's huge repertory needs considerably more strength than this at every level. Every noble deed by Nichols in *Robert Schumann* is countered by cheap ones from Valentina Kozlova (in Suzanne Farrell's old role) and Heather Watts. Talented dancers such as Peter Boal are too often subdued. Perky soloists like Margaret Tracey or eccentric work-horses such as Wendy Wehelan have been promoted beyond their potential.

Balanchine choreography at its greatest is like nothing else in all of life: it affects one's hearing and sight so profoundly that its use of music and dancers becomes a drama of time and space. Many Balanchine ballets will, I suppose, survive. Other companies dance some of them well; and the School of American Ballet, which feeds New York City Ballet with a supply of exceptional dancers, is still a treasury of Balanchine stylistic wisdom. But New York City Ballet is uniquely placed to honour the work of this supreme artist.

Next year NYCB will honour its founder-choreographer with a Balanchine Festival. One wishes it was honouring him better in its day-by-day activity now.

Glimpse of the golden age at the Bibliothèque-Musée

In Paris Ronald Crichton visits the refurbished Palais Garnier and a performance of Elektra

The pavilion forming the West wing of the old Opéra, the Palais Garnier, was intended as a ceremonial entrance for Napoleon and Eugénie, who had survived an attempted assassination some years earlier outside the previous opera house in the rue Le Peletier. By the time Garnier's building was ready the Second Empire had collapsed and the former Emperor had died in exile at Chislehurst.

For more than a century the pavilion has housed a fabulous collection devoted to opera and the dance, the property of the Bibliotèque Nationale, consulted by writers and students many of whom, as I used to, may have felt a little overawed by the surroundings – at once tradition-haunted and fusty. There were temporary exhibitions which could be visited from the auditorium during intervals. The one mounted for *Robert le diable* added a good deal to the effect of that opera's revival a few years ago.

Recently the Ministry of Culture, the Bibliotèque Nationale, the Opéra, Louis Vuitton and AROP combined (in perfect harmony, it appears – finished on time, budget not exceeded) to redesign and refurbish that part of the huge building. The result is officially called "Bibliotèque-Musée de l'Opéra". In spite of the joint title, library and museum are now separated by an isophonic partition: seekers after truth are shielded from mere visitors wandering round the portraits, drawings, caricatures, models and posters.

The new entrance is inside the main building, not as before in the rue Scribe. The monumental staircase which led from the side entrance is incorporated into the museum itself for temporary exhibitions. The noble proportions and bare walls, which must disconcert those who associated Garnier's architecture with rampageous gilt-encrusted decoration, would still look austere even if the imperial eagles and initials had been sculpted on them as planned. The new vitrines and furniture are the work of Richard Peduzzi, Chérau's designer for the Paris *Lulu* and for the 1978 *Ring* at Bayreuth. (Open everyday except Sundays, 10-4.30.)

The special exhibition now showing, in support of the Picasso ballet programme described last Wednesday by Clement Crisp, is *The Ballets Russes at the Opéra*. Not all Diaghilev's scandals and successes happened here – the Châtelet and the Champs-Elysées were also much involved. There is still plenty to show, from the time of the *Boris Godunov* of 1908 which started the whole thing off, up to Diaghilev's death in 1929. Many of the objects have been seen at loan exhibitions elsewhere and still more are familiar from reproductions, yet their impact remains as fresh as ever – the strength of invention, the range and versatility, the constant ability to use modern art in a theatrical context, from Golovin, Bakst and Benois up to Picasso, Matisse and Chelitchev. The wealth has been mined by succeeding generations but it is hard to throw off a feeling of decline.

After these golden-age glimpses the *Elektra* shared with Los Angeles (where Max Loppert reviewed it) and Houston, now at the Bastille, looks a rather sad affair in John Bury's rubbly, ugly-ugly and, worse, uninteresting set. One wondered why it was thought worth while to bring half way across the world a production (originally by David Pountney, staged for Paris by Clare West) now chiefly remarkable for its failure to strike more than intermittent sparks from some powerful singers.

In the title-role Gabriele Schaut, one felt, was poised for a fine performance which never quite materialised. Her top notes, cutting but not strident, winged out as if they would shoot across Paris and shake the Eiffel Tower. Rapid phrases were boxy and incomprehensible. Helga Dernesch's Clytemnestra, a potentially fascinating study of a thoroughbred gone disastrously wrong, did not project strongly enough in the unfriendly spaces. The Chrysothemis of Karen Huffstodt had vivid moments. In the brief role of Aegisthus Jean Dupouy was blessedly clear, but no Aegisthus can save an *Elektrc*

Under the Danish conductor Michael Schonwand the orchestra delivered thunderous climaxes and, as usual, some expert woodwind playing, with little of the genuine Straussian warmth. Acoustical problems in this theatre are not yet solved. Nothing so simple as the orchestra drowning the voices. The two in some way hard to define don't sit down together, with results unsatisfying and tiring to the ear. In fairness I report that a packed house loved it all.

June Anderson having cancelled her solo recital at the Opéra-Comique thorough illness, there was just time to get to the Champs-Elysées to hear another popular American star, Chris Merritt, give a whopping programme of Bellini, Donizetti and Rossini. This tenor's particular strength lies in the unusual way he combines technical agility with heroic vigour. The heroic side may be gaining the upper hand. Merritt looked like Siegfried and often sounds like him: I was ready for him to launch at any moment into the Forging Songs.

He opened with an "A te, O cara" from *I puritani* which wouldn't have disgraced Verdi's Manrico. Too beefy by half, but beef gradually gave way to rarer meats and operas with two Rossini arias written for the formidable Naples tenor Andrea Nozzari. Thomas Muraco dealt ably with the piano accompaniments.

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Muziektheater 19.30 Julian Reynolds conducts Pierre Audi's production of *Mozart's Mitridate*, also Thurs and Sun afternoon. Tomorrow, Wed, Fri and Sat ballets by Ashton, Page and van Schayk (6255 455/credit card bookings 6211 211)

BERLIN

Schauspielhaus 20.00 Dmitri Kitaenko conducts the RIAS Youth Orchestra in Stravinsky's Firebird and Rimsky-Korsakov's Scheherazade. Tomorrow: Fabio Luisi conducts Italian orchestral music. Wed: Zubin Mehta conducts the Berlin Philharmonic. Fri, Sat, Sun: Peter Maag conducts the Berlin Symphony Orchestra (East Berlin 2090 2156)
Deutsche Oper 19.30 Ralf Weikert conducts Lucia di Lammermoor. Tomorrow: Barbara Hendricks. Wed: ballets by Béjart and Balanchine. Thurs: Makropoulos Case. Fri: Entführung. Sat: Fidelio. Sun: Tannhäuser (West Berlin 3410 249)
Staatsoper unter den Linden 19.30 Die Fledermaus. Tomorrow: Tannhäuser. Wed: Les Contes d'Hoffmann. Thurs: John Cranko's ballet The Taming of the Shrew. Fri: Die lustigen Weiber von Windsor. Sat: Madama Butterfly. Sun: Lohengrin (East Berlin 2004 762)

BRUSSELS

Théâtre National 20.15 Molière's *comedy Tartuffe*, directed by Micheline Hardy. Daily except Sun till April 11 (217 0303)
Palais des Beaux Arts 20.00 Philippe Herreweghe conducts La Chapelle Royale in choral music by Stravinsky. Tomorrow: chamber music by Reger and Prokofiev. Wed: piano recital by Radu Lupu. Fri: Ronald Zollman conducts the Belgian National Orchestra (507 8200)

COPENHAGEN

Royal Theatre 20.00 Bournonville double-bill: The King's Volunteers on Amager staged by Anne Marie Vessel, and La Sylphide staged by Henning Kronstam. Tomorrow: Lohengrin. Wed: Bournonville's A Folk Tale. Thurs: Ariadne auf Naxos. Fri: Napoli. Sat: opening of week-long Bournonville Festival (3314 1002)

GENEVA

Grand Théâtre 20.00 Friedemann Layer conducts François *Rochaix's production of Cosi fan tutte*, also Thurs and Sun (212311). Tomorrow and Wed in Victoria Hall: Dennis Russell Davies conducts music by Elliott Carter, Haydn and Debussy (292511)
Salle Patino 20.30 Serenata Quintet in a programme of music by Elliott Carter, who is featured in all this week's concerts of the *Archipel festival (475033)*

LONDON

DANCE
Covent Garden 19.30 Royal Ballet triple bill: Kenneth MacMillan's new choreography The Judas Tree, plus two Balanchine works, repeated tomorrow, Fri and Sat. Wed: MacMillan's Manon. Thurs: Britten's Death in Venice (071-240 1066)
Sadler's Wells 19.30 Birmingham Royal Ballet in Peter Wright's production of Giselle. Tomorrow, Wed, Thurs: triple bill including new Oliver Hindle ballet. BRB season ends on Sat (071-278 8916)
MUSIC
Royal Festival Hall 19.30 Chick Corea Elektric Band. Tomorrow: Claus Peter Flor conducts the Philharmonia. Wed: Simon Rattle conducts the CBSO. Thurs: Prunella Scales narrates Walton's Façade. Fri: Mark Wigglesworth conducts the LPO. Sat: James Blair conducts the YMSO. Sun: Martha Argerich (071-928 8800)
Queen Elizabeth Hall 19.45 Brian Wright conducts Verdi's Four Sacred Pieces and Rossini's Petite Messe Solonnelle (071-928 8800)

MILAN

Teatro alla Scala 20.00 Piano recital by Krystian Zimerman. Tomorrow and Thurs: Iphigénie en Tauride. Fri, Sat, Sun in Teatro Lirico: Perseo e Andromeda, music by Salvatore Sciarrino (7200 3744)

MUNICH

Staatsoper 19.30 Bavarian State Ballet in John Neumeier's production of Nutcracker, also Thurs and Sun. Tomorrow and Fri: Ben Heppner sings the title role in Tony Palmer's new production of Dvořák's Dimitrij. Wed and Sat: Entführung with Edita Gruberova. Sun at 11.00: Wolfgang Sawallisch conducts orchestral music by Bartók and Lutoslawski (221316)
Philharmonie 20.00 Semyon Bychkov conducts the Orchestre de Paris in Ravel's Rhapsodie Espagnole, Dutilleux's Metaboles and Tchaikovsky's Fourth Symphony (346620). Wed, Thurs, Fri, Sat: Vaclav Neumann conducts the Munich Philharmonic Orchestra in Saint-Saëns and Shostakovich, with piano soloist Nelson Freire (48098 614). Sun in Herkulessaal der Residenz: Lorin Maazel conducts the Bavarian Radio Symphony Orchestra in music by Strauss and Schumann (558080)

NEW YORK

Metropolitan Opera 19.00 Don Carlo with Vladimir Chernov and Samuel Ramey. Tomorrow: Parsifal. Wed: Rigoletto and Sat. Thurs: first night of Otto Schenk's new production of Elektra, conducted by James Levine, with Hildegard Behrens in the title role. Fri: Le nozze di Figaro (362 6000)

PARIS

***Opéra Bastille** 20.00 Michael* Schoenwandt conducts David Pountney's production of Elektra, with Gabriele Schnaut, Karen Huffstodt and Helga Dernesch. Next week: Un ballo in maschera with Pavarotti (4001 1616)
Théâtre des Champs-Elysées 20.30 Academy of St Martin in the Fields in music by Purcell, Bach and Vivaldi. Tomorrow, Wed, Fri, Sat and Sun afternoon: Ballet Cristina Hoyos. Thurs: David Zinman conducts Orchestre National de France. Sun evening: Alfredo Kraus (4720 3637)

● This week's other events include an Ecole du Ballet triple bill at the Palais Garnier on Wed, Fri, Sat and Sun (4017 3535); a concert conducted by Armin Jordan tomorrow in the Salle Pleyel (4561 0630); a Respighi and Puccini programme with the Orchestre Philharmonique de Radio France at the Salle Pleyel on Fri (4563 8873); and a song recital on Sun by Cecilia Bartoli at the Châtelet (4028 2840).

VIENNA

MUSIC AND DANCE
Konzerthaus 19.30 Opera gala with Peter Dvorsky, Lucia Popp and the Orchestra of the Slovak National Theatre conducted by Ondrej Lenard. Tomorrow: old Russian songs with the Chorus of the Moscow Patriarch. Wed: Keller Quartet of Budapest. Fri: Ingo Metzmacher conducts Roslavets and Mussorgsky with the Austrian Radio Symphony Orchestra. Sat and Sun: Ann Murray sings with the Vienna *Symphony Orchestra (712 1211)*
Musikverein 19.30 Uwe Heilmann, accompanied by Geoffrey Parsons, sings Die schöne Müllerin, also Wed. Tomorrow: Vienna Schubert Trio. Thurs: Midori recital. Fri evening, Sat and Sun mornings: Claudio Abbado conducts the Vienna Philharmonic in its 150th anniversary concerts. Sun evening: Mirella Freni and Nicolai Ghiaurov sing arias and duets (505 8190)
Ronacher 20.00 Compagnia Nadir of Venice in Caterina Sagna's ballet Quaderni in Ottavo. Vienna Dance Festival ends with performances by Doug Elkins Dance Company on Sat and Sun (586 1676)
Staatsoper 19.30 Il barbiere di Siviglia with Vesselina Kasarova as Rosina. Tomorrow: Wozzeck. Wed: Minkus' ballet Don Quixote. (51444 2960)
THEATRE
Tonight, the Burgtheater is showing The Merchant of Venice. Tomorrow and Wed: Kleist's Penthesilea directed by Ruth Berghaus. Thurs: Claus Peymann's new production of Macbeth. Fri: Waiting for Godot. The Akademietheater has Brecht's Baal tonight, followed by two Botho Strauss plays: Die Zeit und Das Zimmer tomorrow and Sun, and Schlusschor on Wed and Fri (51444 2218).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
0830-0900 (Tues) Spiegel TV – *Intl Report – the real world of* documentary
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bollini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly
2130-22 00 (Fri) Spiegel TV – Intl Report

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This *Week - a joint FT/CNN production*
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Monday March 23 1992

US struggle for the centre

IT HAS been a strange election year in the US and only a fool would rule out further twists and turns of fate. But the current probable outcome is that the battle for the the White House will be fought between President George Bush for the Republicans and Governor Bill Clinton of Arkansas for the Democrats. This promises to be a classic struggle for the centre and one which should offer at least a reasonable choice.

Mr Clinton proclaims now, as he has in the past, that he is an architect of change. He comes armed with a pocketful of programmes and an inclination for intervention. He does not consider industrial policy a dirty word, but he is no visceral protectionist. He senses that the issues most concerning his country – health, education, welfare, crime, drugs, investment, taxes – are those that can and should be addressed by an activist government. Still, Mr Clinton does not seem to be a classic free-spending Democrat, even though the Republicans will try and paint him as such.

Mr Bush won the presidency on the Reagan legacy and, after some departure from it, now says he is back on course. This means less government, less regulation, lower spending and lower taxes. It does not exclude programmes to meet specific needs, but it is more inclined to let the market, and the individual, decide. Mr Bush is basically happy with the status quo.

Uneven recession

Mr Clinton must argue, as the challenger, that there is something fundamentally wrong with the US economy. Mr Bush, as the incumbent, must hope it will come right in time of its own accord, with more than a little help from the Federal Reserve. The latest numbers suggest it might, though whether to the point that it becomes his decisive ace-in-the-hole is questionable. This recession has not only been long but its severity has been unevenly distributed. Confidence in recovery may be equally spotty and hurt the president in states he needs to carry – California, for example.

Mr Bush brings to the fight a foreign policy record Mr Clinton has had no opportunity to match, and the issue of experience in external affairs must be an asset. But it far from clear that it ranks high on the list of public concerns at present, nor is it an impregnable asset.

There is an impression that this administration has somewhat lost its way since the Gulf war: it is bogged down in the Middle East, and aggravating Israel profoundly, which might cost at the polls; it is short of ideas on how best to aid the former Soviet Union and unable to achieve a break through in Gatt or, probably, bring to signature this year the North American Free Trade Area. Still, holding the foreign policy cards usually works to a president's advantage.

Clinton's character

Neither man enjoys the confidence of their party's activists, which is probably to their credit, since neither the Democratic left nor the Republican right have much more than slogans to offer now. But the country is patently disenchanted with politics-as-usual and both are more than usually political. The Democratic Party's reconciliation with Mr Clinton is at this stage much less than the Republicans with Mr Bush. There is a lot of professional admiration for Mr Clinton's handling of the many allegations laid against him, but his character, in the broadest sense, is an issue in ways in which, rightly or wrongly, Mr Bush's is probably not. If he seriously stumbles, his party would run a mile.

Mr Clinton, however, has advantages over and beyond being from the south, currently a Republican stronghold, and not living in Washington. He is much younger than Mr Bush, who shows his age sometimes, and probably more articulate. This would be useful in any debate betwen the two, but not necessarily predictably, as the Reagan-Carter confrontation proved.

It would be good if the battle between them could be joined soon, even though the election is still more than seven months away. This would be preferable to the current unedifying partisan battle between Mr Bush and the Democrats in Congress, from which the country emerges no wiser and no more assured that the policies that will guide it are rooted in sense.

Clucas and the consumer

SOME four years after the UK's Financial Services Act came fully into force, Sir Kenneth Clucas has recommended radical changes in the regulation of retail investment. His report suggests the merger of Fimbra and Lautro, the self-regulating organisations representing independent advisers and company representatives, and comes only a week after the publication of the Securities and Investments Board's (SIB) own controversial plan to force life assurance companies to disclose more details of their costs to prospective buyers.

The resignation of Mr Tim Miller from the board of Lautro is a reminder of the continuing tensions. Mr Miller, who is marketing director of the unit trust giant M & G, was protesting at the loss of a battle over whether life companies should be able to project future returns on the basis of their actual own costs or of industry average costs. The SIB is content that life offices will have to disclose their own costs in a slightly different form.

Haphazard historical development has given life companies big advantages over unit trust groups in terms of the ability to use high-pressure sales methods and to hide their true product costs. Endless complications have developed over the attempts to devise equivalent regulation of the two distinct sales channels used by life companies, direct sales forces and independent financial advisers (IFAs).

Power balance

IFAs have demanded equivalent privileges to avoid full or "hard" commission disclosure, despite their claimed role as independent advisers to their clients. They were given their own regulatory body, but it has proved not to be financially viable. In deciding that it should be rolled up with Lautro, Sir Kenneth Clucas has added a proposal for maintaining an elaborate balance of power within the new agency to ensure that both salesmen and IFAs are fairly treated. But even so there is obvious scope for bitter internal arguments.

The story of retail investment regulation is one of slow progress. The issue of independence has never been properly grasped: truly independent advisers who took their clients fully into their confidence would not need, or even want, to be treated like salesmen. But of course the latter have been greatly assisted by the opaque nature of most life products and marketing techniques.

Now the SIB is at last insisting that a measure of disclosure of company-specific costs must be given to the client at the point of sale. This should ensure an eventual end to the scandal that some life products are successfully sold by sales forces even though the costs are up to three times the average; such policies represent very poor value to the consumer. Disclosure of high penalties for early surrender should also reduce the notorious tendency for life salesmen to oversell unsuitable products to clients who are unlikely to keep up the payments.

Public interest

But why is it all taking so long? The decision to rely mainly on practitioners to operate the regulatory system under the Financial Services Act always posed the problem of how the public interest could be properly represented. The SIB has chosen to seek some kind of a consensus, and has therefore found it hard to cope when heavy lobbying has been conducted by investment industry interests and the consumers' point of view has been less forcefully put. In wholesale markets, where the various interests tend to be better balanced, the problems do not appear to have been so deep-rooted, although again the general public interest may not get a proper hearing.

With political change in the air there is again discussion of whether the UK needs a US-style SEC. This may be a red herring, and even the Labour party has stopped talking about purely statutory solutions.

Yet over time, as the regulators gain in experience and self-confidence, it would be natural to expect the influence of the practitioners to fade away and the public interest, rather than convenient compromises, to be more consistently pursued.

A price-tag on the promises

Martin Wolf examines the Conservative party's criticism of Labour's hidden agenda for increased public spending

LAST WEEK saw the battle of the two main parties' plans for taxation. On Saturday, the Conservative party shifted its focus towards Labour's plans for public spending. Labour's manifesto, it claimed, has 37 policy pledges that would cost £37.9bn by the last year of a full parliament, in current prices.

These charges and counter-charges are at the heart of the election campaign. The Conservative party seems to have abandoned hope of convincing the voters that a fourth term would do them good. What it wishes to do, instead, is frighten them about Labour's harmful intentions. So is John Smith the sober and responsible chancellor-in-waiting that he appears to be? Or is he, as the Conservatives argue, the respectable face of the spendthrift socialist tiger?

Whatever the truth, Mr Smith has been winning the battle of appearances. In his shadow budget, presented last week, he promised to raise additional net revenue of £3.3bn in 1992-93 (half a percentage point of gross domestic product) and £6.8bn in 1993-94 (one percentage point of GDP), by comparison with the budget presented by Norman Lamont. The Conservatives wished to make these proposals appear threatening to a substantial proportion of the electorate. They have failed.

As the Institute of Fiscal Studies has pointed out, 48 per cent of the population would be better off under the Labour budget than under that of the Conservatives, 35 per cent would be in roughly the same position, while only 17 per cent would be better off under the Conservatives. The majority of the electorate would, therefore, either be unaffected by these proposals or – especially if they were on below average incomes and were either pensioners or parents – would benefit substantially.

Such a budget may be harshly criticised for the shock it would impose on the higher paid and for its longer term effect on incentives. Since each adult has one vote in an election, however, it looks politically invulnerable. The more Conservatives focus their attack on Mr Smith's shadow budget, the more voters are likely to appreciate the transfers proposed.

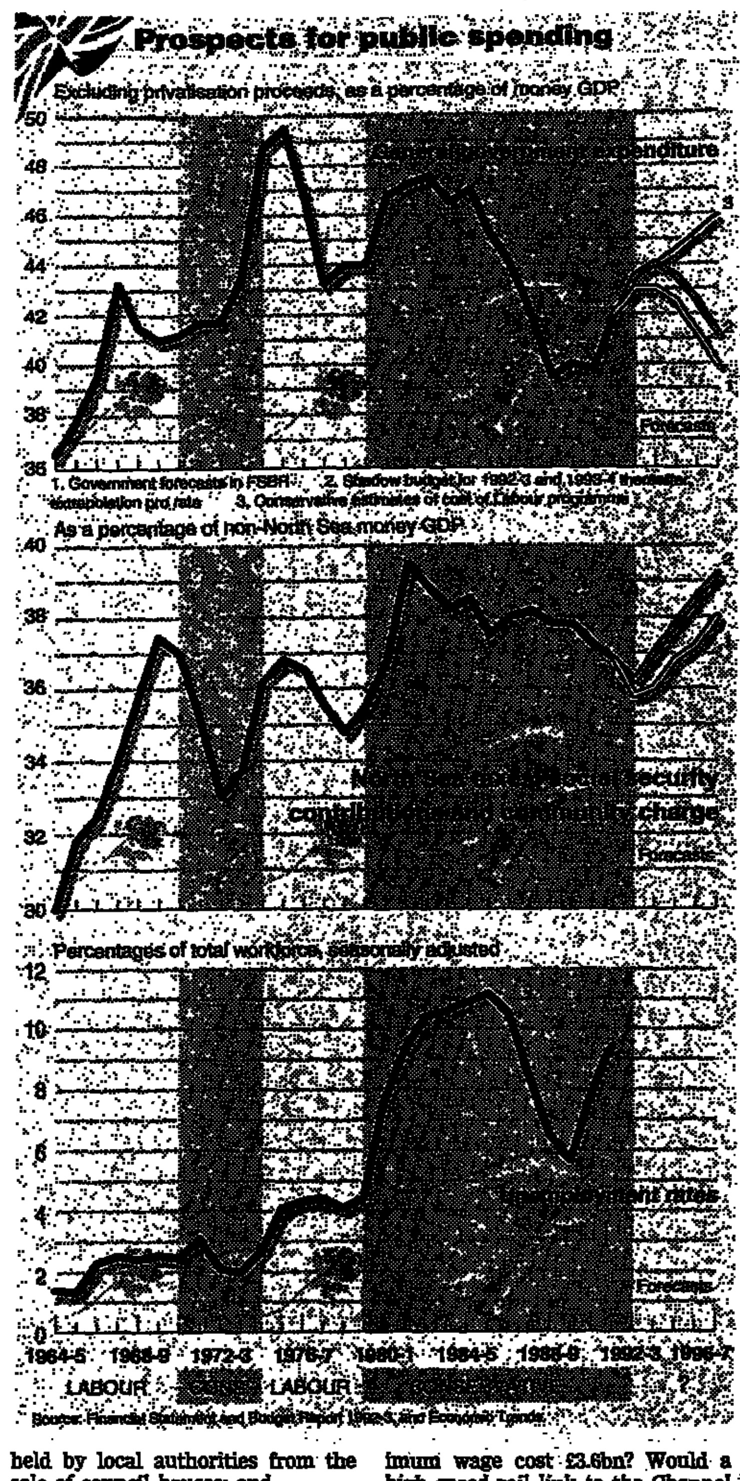
The Conservatives need a knock-out punch. The campaign against Labour's wider spending plans is to be that punch. The items they enumerate are:

- increased basic pensions, costed at £2,700m;
- equalisation of pension age at 60, costed at £3,000m;
- uprating of pensions in line with earnings, costed at £2,100m;
- equal funding for public and private residential homes, costed at £300m;
- funeral payment of £600, costed at £80m;
- improved and extended invalid allowances, costed at £2,140m;
- disability benefits, costed at £1,300m;
- increased child benefit, costed at £730m;
- increased maternity pay, costed at £400m;
- restoration of benefit rights to 16 and 17 year-old, costed at £100m;
- maintenance disregard on income support, costed at £175m;
- replacement of the social fund, costed at £160m;
- implementation of these pledges in Northern Ireland, costed at £400m;
- increased spending on National Health Service, costed at £3,000m;
- abolition of charges for eye test, costed at £165m;
- free dental checks, costed at £65m;
- abolition of compulsory competitive tendering, costed at £50m;
- increased investment in housing, costed at £3,000m;
- a high-speed rail network linking every region to the Channel Tunnel, costed at £3,000m;
- improved public transport for London, costed at £550m;
- concessionary fare schemes, costed at £100m;
- increase in share of GDP spent on education to 1979 level, costed at £2,600m;
- establishment of a skills fund, costed at £300m;
- a work programme for the unemployed, costed at £300m
- increased spending on training, costed at £200m;
- reaching aid target of 0.7 per cent of GDP, costed at £2,500m;
- establishment of regional development agencies, costed at £260m;
- establishment of regional councils, costed at £270m;
- remuneration for councillors, costed at £50m;
- increased powers for local authorities, costed at £3,000m;
- more policing, costed at £270m;
- improved access to legal aid, costed at £115m;
- a Scottish Assmebly, costed at £65m;
- a Welsh Assembly, costed at £50m;
- implementation of the European Social Charter, costed at £600m;
- contribution to increased EC regional aid, costed at £200m; and
- improved public sector pay and conditions, and introduction of a statutory minimum wages, costed at £3,600m.

Against this list, what Mr Smith has definitively proposed would be an increase in public spending of £6.8bn in 1993-94. Specified items would be the increase in the weekly state retirement pension by £5 for a single person and £8 for a couple, costing £2.3bn in a full year, and the increase in child benefit to £9.95 for all children, costing £750m in a full year. The £3.5bn left over from the shadow chancellor's proposed increase in net taxation would then go on health, education "and other vital public services".

Included in Mr Smith's sums would be immediate implementation of a £1.1bn "Recovery Programme", embracing:

- enhanced first year capital allowances in manufacturing;
- measures to help small business;
- a new skills fund and restoration of cuts in Employment Training and Youth Training;
- a job experience programme for the unemployed;
- phased release of capital receipts held by local authorities from the sale of council houses; and
- a pilot leasing programme for British Rail.



So how plausible is the Conservative complaint of a not-so-hidden Labour Party spending agenda? That Labour has intentions in all the areas listed by the Conservatives— some more, some less specific – is clear. But one must question the costings. Would increased powers for local authorities, for example, cost £3bn? Would improved public sector pay and the implementation of the national minimum wage cost £3.6bn? Would a high speed rail link to the Channel Tunnel cost £3bn in a single year in the life of the next parliament?

Nevertheless, Conservative charges cannot be ignored. Labour has many commitments in its programme. Where might the money come from?

The charts give the background, including forecasts based on the Financial Statement and Budget Report 1992-93. The government's own forecasts imply an increase in the share of non-north sea taxation in GDP, as the recovery takes hold. The increase in public spending as a share of GDP is largely explained by the recession, as was the case in the mid-1970s and, still more, the early 1980s. On these forecasts, however, the share of public spending in GDP would remain below levels reached between 1973-74 and 1986-87.

Suppose that Labour only increased public spending and taxation by the amounts already announced, plus by the notional tax reductions pencilled in by the government for 1995-96 and 1996-97. The result would be only modestly above the government's forecasts.

What would happen if the Conservatives were right? Public spending, on the government's growth assumptions, would rise to 46 per cent of GDP. This is, it should be noted, no implausible figure. The burden would still be lower than in the mid-1970s and in the early 1980s. But it would be at least 6 percentage points higher than the Conservatives forecast, optimistically, for themselves.

Nothing suggests that recovery would be faster under Labour than the Conservatives. Neither is likely to do better than the Treasury now forcasts: economic growth at an average of 3 per cent a year between 1991-92 and 1996-97 period. This is as fast as the recovery from the last recession, even though there is to be no sterling devaluation this time, while real interest rates are high and the personal sector remains highly indebted.

Even with this recovery, public spending at 46 per cent of GDP by 1996-97 would not be consistent with the Maastricht target, which is for a public deficit of 3 per cent of GDP in a normal year. Without the "fiscal adjustment" and carrying forward Mr Smith's proposed tax increases, general government receipts would be about 40.5 per cent of GDP in that year on Treasury assumptions for economic growth.

This would imply an overall deficit – under full implementation of Labour promises, as costed by the Conservatives. – of some 5-6 per cent of GDP. To reduce that to the target of 3 per cent of GDP would require not the tax increases that the Conservative are suggesting, but about half that amount. The reason for the difference is that the Conservatives intend to lower the borrowing requirement to ¼ per cent of GDP by 1996-97, while Labour might stick to the Maastrich 3 per cent. Nevertheless, even with the hoped for recovery, Labour could not implement all its dreams, without extra taxation of perhaps 2-3 per cent of GDP.

Yet this is not the worst possibility. What would happen if growth were to average only 2 per cent over the next five years? Other things equal, revenue in 1996-97 might then be more than £15bn less than now forecast by the Treasury for that year, equal to some 2 percentage points of GDP. Even for the government that would mean a PSBR at about 3 per cent of GDP. For a Labour Party trying to meet all its aspirations, the deficit could be 8 per cent of GDP.

Underneath the smoke is a real battle. It is likely that no increases in government spending above those already planned can be allowed, without breaching the 3 per cent limit agreed at Maastricht, even five years from now. The growth dividend – and even then a modest one – will arrive only if the Treasury forecasts are right. If the Labour Party were determined to spend substantially more in real terms than already announced in its shadow budget, further tax increases look very likely.

More spring in the cat

Jaguar's new chairman has to make Ford's investment in the company pay off, writes **Kevin Done**

Since Ford acquired Jaguar for £1.6bn in late 1989, the UK luxury car maker's losses have mounted inexorably, while its sales have almost halved.

This week, Mr Nick Scheele, a 48-year-old career Ford executive, takes over as chairman and chief executive. His task is to restore the lustre to the tarnished Jaguar name and undertake the most ambitious new product programme in the company's history.

Whatever their private doubts, Ford's top executives declare publicly that their commitment to the Coventry-based prestige car maker is not wavering. They insist that the strategy of taking Ford, the world's second-largest car maker, into the highest echelon of the luxury car market through the acquisition of Jaguar was right.

"We all voted for it, none of us was in the men's room," insists Mr Allan Gilmour, Ford executive vice-president.

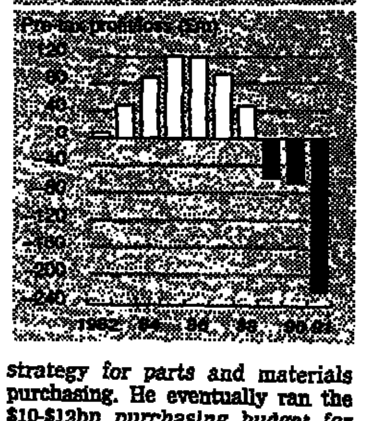
The financial pain at Jaguar is severe, and Ford has been forced to add fresh equity to shore up Jaguar's balance sheet after its record £226m pre-tax loss last year. Yet Mr Louis Ross, head of Ford's international automotive operations, claims that Ford is prepared to take the long view of its acquisition.

"We bought Lincoln (the US luxury car marque) in 1921, and it was 1963 before it made a profit. We are going to beat that record substantially."

But the targets for putting Jaguar back on the road are more onerous, and Mr Scheele admits that he faces a "fairly daunting task".

Born in Essex and a modern languages graduate from Durham University, Mr Scheele has been on a fast track at Ford since joining the group as a graduate trainee in 1966.

After spending 12 years with Ford of Britain, he moved to the US in 1978 to work on developing a world



strategy for parts and materials purchasing. He eventually ran the $10-$12bn purchasing budget for most of Ford's North American assembly plants.

Mr Scheele has been parachuted into Jaguar from Mexico City. For the last four years, he has been president of Ford of Mexico, where in contrast to the challenge at Jaguar, the main problem was how to increase output to meet rapidly rising demand in the domestic market.

Mr Scheele has to fill the vacuum that will be left by the early departure through poor health of Mr Bill Hayden, one of the most experienced manufacturing executives in the European car industry.

Within months of arriving at Jaguar in 1990, Mr Hayden – one of the first European car executives to recognise the scale of the competitive threat posed by the Japanese car industry – was comparing its Brown's Lane assembly plant with the Russian car plant in Gorky. He quickly saw that Jaguar's engineering and manufacturing operations suffered from fundamental quality and productivity weaknesses.

In the last two years, he has worked hard to reform the company's antiquated working practices and to introduce rigorous cost and quality control systems.

Under the burden of recession in its two main markets, the US and the UK, Jaguar sales have plunged precipitously. Production fell to only 23,018 units last year from the peak of 51,939 in 1988. The workforce has been cut to 8,000 from 12,100 in the last 12 months.

Mr Hayden's tough reforms are starting to pay off, however. Mr Scheele says productivity improved by 23 per cent last year and that the company is on course for a further 25 per cent gain in 1992.

Ford has brought in its own Uniform Product Assessment System for auditing quality, and by this measure the number of defects per hundred finished cars coming off the Jaguar assembly line has been reduced to less than 500 from close to 2,500 in early 1990.

"I hesitate to think what it was like two and half years ago," says Mr Scheele.

It will be a long haul but the agenda is clear. Mr Scheele says: "We must continue the progress in productivity and quality, develop the new model programme, generate sales, and get a return that is not a disaster."

After a divisive meeting in Kiev, the republics of the former Soviet Union face a mounting crisis of cohesion, says **John Lloyd**

Fault-lines spread from without to within

Mr Leonid Kravchuk's astonishing display of frankness at the end of the summit meeting of the Commonwealth of Independent States on Friday has effectively undercut whatever grounds that organisation may have for remaining in effective existence – though its paper form may continue for some time yet.

The Ukrainian president said the CIS had done nothing useful in its short life of four months; that it was probably doomed; that Russia would never permit a discussion of the division of what had been Soviet property at home and abroad, and is now effectively Moscow's property since Russia has proclaimed itself the successor state to the Soviet Union.

Though he is living dangerously, Mr Kravchuk has little choice but to take a tougher line with Moscow and little reason for preserving the pretence of harmonious co-operation between the CIS partners. The national temper continues to rise in Ukraine, as every Russian act is interpreted as threatening, and Mr Kravchuk relies increasingly on the *nationalist* parties and groups for his political survival.

Leonid Kravchuk speaks his mind in Kiev

The best reason for staying within the CIS was to retain leverage over the Russians and to try to persuade them to moderate energy price rises. But it seems certain Ukraine will soon lose that battle. Mr Vladimir Lopukhin, the Russian energy minister, is likely to cut subsidies for oil supplies to Ukraine.

Hence Ukraine's stance at the CIS meeting; hence the underscoring by General Konstantin Morozov, the Ukrainian defence minister, of the fact that Ukraine has signed no military treaties with other CIS members; hence the comments by senior Ukrainian officials that this was the last, or at best the penultimate, Commonwealth summit.

Since the Ukrainian-Russian relationship is the indispensable pivot of any such grouping, this probably means the end. But this is no bad thing: the reasons for the Commonwealth were high-sounding but empty, like much of the former communist rhetoric of the Gorbachev period. However, unlike still earlier communist rhetoric, there is no underlying coercive strength, rooted in the party and the secret police, to ensure cohesion remains.

There *are* good reasons for a Commonwealth – the need to preserve economic ties, to develop civilised approaches to each others' minorities, to address the national conflicts, to divide property rationally, to maintain common services and common security and to assist in the similar tasks with which all are confronted in their stated aims of making the transition from totalitarianism to democracy and capitalism.

But these ambitions are now for the birds. Nationalism is far too strong and the resurrection of long-buried grievances too common. Add to this the interests of the ruling elites in the republics – who see diplomatic prestige and opportunities for self-enrichment in greater independence – and it is easy to grasp the lack of interest in doing more than observe the pieties of post-Soviet co-operation.

The Friday session of the CIS showed that Ukraine is ready to propose itself as the model for this process towards greater independence: insisting on its right to be a nation unencumbered by the anomalies which the Soviet past has left, such as the presence on its territory of military formations owing their allegiance to *another state power*.

The contrary pole is occupied by Russia, which wants the Commonwealth to stay together. However, it has no clear position on what posture to adopt within the organisation. In general, the temptation for any Russian government is to conflate the former Soviet Union with present Russia, to *claim and hold former* USSR property and assets, and to seek some general hegemony over the former Soviet area, mainly on security grounds. Russians of any opinion would agree that a potentially hostile government in Kiev would be intolerable, although they would divide on whether or not to prevent that by diplomacy or, ultimately, force. Russia thinks of itself as a great power, and does not think that way about any other member of the Commonwealth.

It is thus difficult for it to take seriously the national agendas of countries like Ukraine, since Moscow's first concern is to ensure they do not threaten or harm the superior world role of Russia.

The Ukrainian challenge forces Russia to face up to life after the Soviet empire – a painful process since it is certain to be replete will all kinds of insults from former dependencies – and one which is fraught with danger. But there is no alternative, for the neighbouring states or for Russia, if it is to fulfil its wish to become part of the modern world.

But there is an even more painful matter for Russia, lurking within its borders. This is the future status of the autonomous areas and non-ethnic-Russian people on its territory. Other republics have such problems too. Georgia and Azerbaijan, for example, are in a state of war with minorities.

But Russia has by far the largest dilemma in the shape of the peoples who are the descendants of Caucasian, Siberian, or other races. Some of these minorities number just thousands, others, numbered in millions, often have territory named after them. These areas are now home to stirrings of nationalism.

The most populous of them, Tatarstan, has just voted for independence with a 62 per cent majority. Its ethnic people, the Volga Tatars, make up some 48 per cent of the nearly 5m of the autonomous republic's population: Russians account for some 42 per cent.

It remains to be seen how far the leadership of the republic will go. The best guess must be that Mr Mintimer Shamiyev, the president and a former Communist party first secretary for the republic, will push it as far as he can. Tatarstan pumps 30m tonnes of oil a year, enough to make it rich if it did not have to share them with the rest of Russia.

Of the other 19 autonomous republics within Russia, only Chechenia in the Caucasus has also said it will be independent (it also has oil, and is even more Moslem). The other 18 last week initialled a federative treaty, under which they were given some important concessions – including joint control of mineral rights – but agreed to allow Moscow to be responsible for most state-like functions. However, this has to be ratified by the parliaments of these republics. Already, the Kabardina-Balkaria republic in the Caucausus has demanded changes before it signs up.

Russia has a problem of vast scope here. Other empires were able to slough off their subject peoples, and were usually able to wring their hands at a safe distance over post-imperial conflicts. Russia's empire was both contiguous (the former Soviet republics) and internalised (the autonomous republics and districts). It may be able to let the first part go and work out a modus vivendi with its members. But it is beyond present understanding how it can at the same time allow the autonomous republics the freedom some of them desire while *constructing a unitary Russian* state in which all have equal rights and duties.

The Commonwealth may be nearly finished, but the drama of the large and small nations emerging from the ruins of the Soviet Union is only now beginning.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters should be clearly typed and not hand written. Please set FAX for finest resolution

Nothing voluntary in low pay

From Professor Brian Towers.

Sir, Samuel Brittan's disappointment over the quality of the *debate on the economy* in the election campaign so far (Economic Viewpoint, March 19) is certainly justified. It falls short of even the mediocre, with little attempt to relate the proposals put before the electorate to macroeconomic goals, especially economic growth and the reduction of unemployment.

Yet Brittan himself is not above criticism on the score of shallow thinking. Why is it that economists of his persuasion straying into labour market analysis refuse to reconstruct themselves on the basis of the evidence? His "consenting adults" model is catchy but pure fiction. Low-paid workers generally remain in their condition because labour markets are segmented. They have no realistic possibility of improving their pay and conditions given limited employment alternatives and the overwhelming bargaining advantage of their employers.

To perceive this as a voluntary bargain between even approximate equals is a nonsense.

Intervention to redress this imbalance can be via government or collective bargaining. Neither of these is perfect, but while they may lead to some negative consequences for employment, research also suggests some positive benefits for productivity. A particular example of this is the minimum wage which has been well researched in the UK both in its wages council and single national minimum forms.

For its social as well as its economic implications it is important to address with some seriousness the scandal of widespread and endemic low pay and poverty in employment. Samuel Brittan's casual blackboard theorising will not do.

Brian Towers,
editor,
Industrial Relations Journal,
Strathclyde Business School,
University of Strathclyde,
Glasgow

Challenges to the Alan Sugar view

From Paul Goggins.

Sir, It is rare to encounter an emotional outburst in a newspaper which prides itself on fact and accurate analysis. It is perhaps a healthy thing in this *age of slick political* advertising that people still have a chance to speak from the heart, but Alan Sugar's letter (March 19) simply cannot go unchallenged.

First, he bemoans his "meagre salary" of £170,000 and the collapse in the value of his shares to £100m. Before he complains too loudly perhaps he should consider the fact that the same society which has provided his markets and opportunities has also seen a doubling of poverty in the 1980s and 1990s with about 12m people on incomes below half the average. Behind this statistic are real people who simply do not have enough to feed and clothe themselves.

Second, he suggests that yesterday's "barrow boys" are today's share dealers and that limitless opportunity is there for all to grasp if they want to. He should realise that for many, prosperity is prevented by crumbling schools, poor-quality training and dearth of job opportunities.

Mr Sugar acknowledges that more should be done to help the poor but his claim that the "them and us" situation has disappeared is total nonsense; 2.7m unemployed people, 0.5m homeless people, and 10m people dependent on means-tested benefits bear witness to that.

If only the talent, enterprise and organisation which Mr Sugar told us has gone into *making* and *marketing satellite* dishes was put into solving the housing and unemployment crises, perhaps we could end the scandal of poverty.

Paul Goggins,
National Co-ordinator,
Church Action on Poverty,
Central Buildings,
Oldham Street, Manchester

From Mr Colin Fisher.

Sir, I could not let Alan Sugar's letter pass without response because of the high regard in which I hold him.

Like him – but not on his scale – my partners and I have built up a successful and profitable business from scratch through the 1970s and 1980s. For most of that time the marginal rate of tax was not 40 per cent but 85 per cent initially and latterly 60 per cent – I had no unearned income to be taxed at 98 per cent.

The marginal rate of tax made not one whit of difference to our efforts to grow our business. If anything, the fact that the marginal rate was high encouraged us to do what we wanted to do anyway – invest in our business.

While I accept it may be different for corporate managers, for those of us who grew our businesses the combination of a tough marginal rate (and 60 per cent is tough enough) and a corporate tax regime which encouraged retention and reinvestment was good for business growth.

The current bias towards distribution introduced by Nigel Lawson is ideal if as a society we want all our business builders to retire at 35 and all our corporate managers to see the choice as between paying themselves or paying shareholders.

Colin Fisher,
74 South Side,
Clapham Common,
London SW4 9DG

Gatt plan and quantity conflict

From Mr Michael Tracy.

Sir, In your article "German proposals may save next round of Gatt" (March 18) your correspondents in Bonn and Washington refer to Chancellor Kohl's initiative aiming at a freeze on US exports of cereal substitutes to the European Community and, in return, quantity restriction on EC agricultural exports.

While it is desirable that level of EC agricultural export subsidies should be reduced, quantity restrictions are quite another matter.

This will inevitably lead to conflicts between member states – how much French wheat should get subsidy, as against how much British barley..? *The next step would be* the introduction of quantitative controls over grain production, provoking interminable and probably insoluble political and administrative difficulties.

This approach might indeed suit Germany, which wants to keep a high-price Common Agricultural Policy corseted by supply controls, but it is the wrong path to "reform"; price cuts as envisaged in the McSharry Plan, with degressive income compensation to farmers, are the right way.

It would be paradoxical if the outcome of trade liberalisation were to be an even more highly-regulated CAP.

Michael Tracy,
La Bergerie,
20 rue Emile Francois,
1474 La Hutte (Genappe),
Belgium

Women at the Bar

From Mr Stephen Sedley.

May I correct two inaccuracies which crept into your otherwise excellent article on the forthcoming survey of women at the Bar ("Bar sets up probe into sex discrimination", March 16).

First, women at present constitute 18.5 per cent of the total number of practising barristers in England and Wales, not 9 per cent.

Second, the survey is being funded jointly by the Bar Council and the Lord Chancellor's department. The figure of £5,000 is the contribution from the Lord Chancellor's department towards the total cost of the survey.

Stephen Sedley,
chairman,
sex discrimination committee,
General Council of the Bar,
1 Pump Court, Temple,
London EC4Y 7AA

OBSERVER

Stand up and be counted

■ One of Observer's grouchiest bugbears is so-called general knowledge quizzes. Besides being tarted up with names like Master*mind* when all they really call for is memory, the knowledge they test is rarely if ever general.

What most of them are about is solely arts-type knowledge, with scientific and *mathematical questions hardly* ever getting a look in.

So hearing the Ashburnham Arms in London's Greenwich runs an unusually good quiz on Tuesdays, Observer called in...only to be disappointed. It suffered from the same fault.

Seeing my black looks, however, the pub's tenants Dave and Debbie Head agreed to let Observer sponsor seven numeracy-linked questions as a supplement to the next regular contest. On the night, some 40 people took part. The average score was lowish at 2.9 points out of the possible seven. But two contenders got four points, *another* got five, and the winner scored six.

Which prompted the idea of printing the questions to see whether FT-readers could do any better. They are:

1 *What is the conventional* name for the result of dividing the circumference of a circle by its diameter?

2 What is 12½ per cent of 60 per cent?

3 *If 93 people enter* a knock-out singles tournament at tennis, how many matches are needed before one player emerges as overall winner?

4 Paper sizes, such as A3 and *A4, are designed so that* when any size is cut in two half-way down its longer side, the result is two smaller sheets each the same shape as the bigger one. In which case, if the *length of the shorter side* is taken as 1, what mathematical relationship to that 1 is borne by the longer side?

5 Name the ancient philosopher specifically associated with the theorem which sheds light on question 4.

6 What – apart from the fact that no other number is the same as it – is unique about the number 1,729?

7 Name the unusual mathematician who saw the answer to question 6 instantly?

There, then, is the challenge. *Whereas the pub's customers* had only an hour to work on it (they are of course barred from entering this re-run), readers have until the last post tonight to mail their entries, or until 6pm London time to fax them to Observer on 071-873 3926 or, if that's engaged, 071-873 3196. Telephoned entries won't be accepted.

The winner gets a bottle of *malt whisky. If necessary,* there'll be a tie-breaker consisting of a straight question plus an ultimate decider testing not numeracy, but extra sensory perception.

Play the game

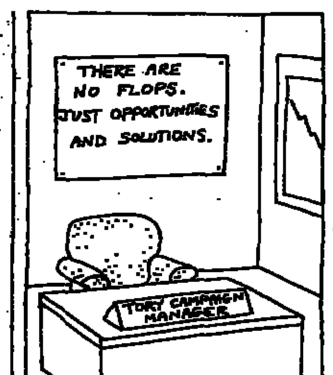
■ Does England have Australia media tycoon Kerry Packer to thank for its surprise win against South Africa in yesterday's semi-final of the cricket world cup?

Few people understand the new rules for rain-affected matches and even fewer can identify who thought them up. The controversial item is covered in the "Play and Conditions for the World Cup" which is approved by the International Cricket Conference.

Even so there is a suspicion that cricket's grey administrators, who agreed the new rule, may have been over-influenced by the need to keep their TV paymasters happy. The Sunday Times' reported last week that the idea behind the present rule came from Australia's voice of cricket Richie Benaud via *PBL Marketing*, a consultancy which has been closely identified with Kerry Packer's channel 9 TV network. Benaud is not on the organising committee but given his stature in the game his opinions are bound to get a hearing.

There is no dispute about the sense of designing a rule to get a result at all costs. What is odd is the arbitrariness of the rules. The match was already being floodlit so it could easily have been continued after the showers.

However, this might have caused havoc with the local TV schedules, especially if Australia had been playing.



Pay-off

■ There was something not quite right about last week's excellent annual Coopers Deloitte PLC Awards dinner at London's Grosvenor House hotel. True, attendance at what used to be known as the USM dinner was 17 per cent up on a year ago and guest speaker Norman Tebbit, the Conservative party's old hachet man, was in rollicking form.

Perhaps it was the drink, but Observer had some difficulty reconciling Tebbit's enthusiastic support for Britain's small companies with his own undoubted preference to sit on the boards of not particularly well-managed corporate giants like BT, Sears and BET. Then there was David Goldman, chief executive of The Sage Group, who won the entrepreneur of the year award. Unlike most of the other self-made types at the dinner, Goldman is a socialist, and proud to be one. There ought to be more like him.

Lamentable

■ Small companies welcomed Norman Lamont's Budget measures to encourage big companies to pay their bills on time. So why, ask the approved managers in last November's BT sale, has the government still not paid them? According to government officials, the approved managers, mainly small stockbrokers, submitted inaccurate bills – now they have been sorted out the brokers should get paid next month. Not so, according to the said managers who had been led to believe it could take a year to pay them. Whatever happens, it does not seem likely that the government will pass the Lamont bill-paying test.

Potted history

■ Shop sign in Brighton: Special separation offer – Sarah-and-Andrew bowls, 75p to clear.

FINANCIAL TIMES
Monday March 23 1992

Albanian Democrats expect win

By Kerin Hope in Korcë, Albania

OUTSIDE what in communist days was Korcë's Palace of Culture, a line of neatly dressed Albanians waited to vote yesterday in the country's second free elections in just under a year.

There was almost complete silence inside, as voters marked their ballot slips behind a bright orange curtain and dropped them into a box sealed with string and Plasticine.

Polling seemed orderly in Korcë, the largest town in southern Albania – in contrast with last year, when voters, especially in the surrounding villages, were physically intimidated by the security police, according to candidates and local officials.

The Democratic party hopes to reverse last year's defeat by the Socialists, the renamed communists, by attracting a substantial percentage of votes in the countryside.

"Last year we won in Korcë and most towns but we lost the election because we didn't have transport to reach the villages," says Mr Petrika Minga, the Democrats' district chairman.

As well as owning battered cars now, Democratic party candidates have been covering the countryside in brand new American jeeps, accompanied by American diplomats. This helps reinforce an impression, already widespread among Albanians, that US aid and investment will be the key to rescuing the country from its deep economic impasse.

The Democrats predict they will win about 55 per cent of the vote and an overall majority in parliament, which will have up to 155 seats, depending on how many parties meet the 4 per cent of the vote threshold for representation in the chamber.

Although 11 parties are fielding candidates, the Social Democrats and the conservative Republicans are alone among smaller groups in expecting to win more than the odd seat. The Human Rights Committee, an umbrella for the ethnic Greek party banned from this year's election, complains that several of its candidates were illegally prevented from running.

The Socialists, who claim they will be the strongest parliamentary party, say that because of a fiercely polarised political climate only a coalition of politicians and technocrats from all big parties will be able to govern the country.

But it has been under a succession of weak and quarrelsome coalition governments that Albania has slipped into near anarchy in the past nine months. Many local officials carry pistols to work and foreign businessmen have been forced to hire bodyguards.

The country now depends mainly on foreign aid, provided mostly by Italy over the winter, for basic food supplies. Albania's industrial output is down to about 20 per cent of its levels before the Stalinist regime collapsed at the end of 1990, and seems likely to fall further, since much post-election aid will have to be channelled into food production.

Taking hold: Albanian Democrat Sali Barisha greets his supporters after casting his vote

Albanians returned to the polls yesterday after a year of multi-party democracy for an election that could break the former communists' grip on power, Reuter reports from Tirana.

Opposition leader Sali Berisha, whose inexperienced Democratic party was trounced by the former communists in last year's polls, said: "This day marks the end of communism and the beginning of democracy in Albania."

Turnout was high in the capital, Tirana. However, many voters delayed their arrival at polling stations until they had queued for bread – distributed by the army – a daily necessity in the chaos that followed last year's poll.

Polling stations in some areas were kept open beyond their published hours to cope with many last-minute voters.

No big disturbances were reported.

The elections, in which more than 500 candidates were fighting for places in a new 140-seat assembly, caps a year of political and social turmoil as Europe's poorest state tries to cope with the birth-pains of democracy.

Results are expected today.

But even so, farm production will be only around 25 per cent of last year's because disputes over land privatisation meant that virtually no cereals were planted last autumn.

"Whoever comes to power in Albania now must be an optimist," says Mr Ilir Manushi, the Korcë district governor.

An Irish model for Britain

By Anthony Harris

ARE YOU worried about a hung parliament? Afraid of electoral reform? Nervous about sterling? Just plain sick of the election? A good cure for these common complaints, as I discovered last week, is a visit to Dublin. It is not only as enjoyable as ever, but unexpectedly educational. Reassuring, even.

Ireland has a weak economy – for the moment at any rate – and some major financial scandals. It has recently dumped a charismatic prime minister; and thanks to proportional representation, it has a more or less permanently hung parliament. Yet over the past few years it has wrought some astonishing changes. It has reduced the government deficit from 13 per cent to 2½ per cent of GDP; and plans to eliminate it altogether. It has achieved a large trade surplus, and pushed inflation down from the high teens to under 3 per cent. It is hard to resist repeating one of the great journalistic misjudgments of all time, and say: "I have seen the future, and it works." Only up to a point, as we will see.

What does work, though in a rather Irish fashion, is coalition government; it can get you in to the most terrible trouble, but it can also get you out again. What it takes is a sufficient sense of national crisis; given that, a strong leader seems able to get away with anything. Mr Charles Haughey seems to have modelled his conduct on that of Governor Huey Long of Louisiana, who won an election by promising to cut taxes and promptly raised them as soon as he was back in the governor's mansion. An aide asked him how this should be explained to the press. "Tell them I lied," said the governor; and he got away with it. Mr Haughey won his last election but one by denouncing the painful squeeze which has been mounted by Mr Garret Fitzgerald, then Fine Gael leader; but as soon as he took office, he mounted a still fiercer one, and with opposition support. It was not very long before he felt (mistakenly) strong enough to call an election in the hope of winning a working majority. He is now a senior victim of the financial scandals; but his successor, the pragmatic Mr Albert Reynolds, is following the same fiscal strategy. Consensus rules.

The success which has formed this consensus is especially interesting from a British point of view: the totally successful unilateral devaluation of 1986. This had almost none of the bad effects we are taught to expect. There was a shortlived spike in interest rates, but that is all. Unit costs remained under tight control, and the competitiveness gained six years ago has not only been sustained, but enhanced.

In spite of a boom in output, which has now fizzled out, inflation went on falling, even in this very open economy. This is because the policies required to make devaluation work – a fiscal squeeze, and a consensus on wage restraint – were already in place. After a hiccup, it was even possible to sell ever-rising amounts of Irish government securities to German investors, at quite a modest yield premium. The whole history is a model of how ERM disciplines are supposed to work.

The Irish are now intensely interested in our own election, though not

A coalition can get you in to the most terrible trouble, but it can also get you out again

in a partisan way; the outcome they most fear is one the City might welcome – a Conservative government depending on Unionist support. They are also, not surprisingly, intensely nervous about sterling. Given their own experience, devaluation looks an obvious policy option; but a sharp move – certainly one which put the Irish punt at a premium to the pound – would put them in a painful dilemma. To be sure, all British parties publicly reject the option; but you don't have to be Governor Long to lie about the parity.

Politics apart, though, the case is not cut and dried. Ireland has one bit of luck which will not fall to the next British government: the D-Mark was an almost ideal anchor for the system in the late 1980s. Germany had low inflation, low interest rates, and was a large-scale capital exporter. That is now sadly changed, of course, and the present German profligacy faces fellow-member of the ERM with the unpalatable choice neatly summed up by Brian Reading in a Lombard Street circular this month: imitate German fiscal profligacy, or grin and bear a long economic depression. Possibly both.

In one sense that argues for devaluation: if you know you are going to have the hangover, in the form of high real interest rates, you might as well enjoy the drink. But in another it argues against it: the deterioration in German cost performance, as well as the improvement in British, means that it is now quite realistic to hope that we can go on gaining competitiveness without changing the parity.

It is a difficult judgment: how far is sterling overvalued at the moment, and how long will it take to adjust? If this was simply a British decision, I would support sticking to the parity, while cursing those who chose it; but the judgment may not be left to us. At the moment Dublin's worries seem to be largely local; but should they become widespread – as a result, say, of a new deterioration in our trade performance – they would be hard to resist.

And probably not worth resisting. A British devaluation might work almost as well as Ireland's. The private sector squeeze on costs and borrowing is every bit as fierce as any government policy, and is not a prey to political whims.

Indeed, in an important sense the Irish strategy would be more appropriate for Britain than it is for Ireland. The present Irish figures are an amazing achievement of political will power, but possibly a perverse one. The current account surplus means that Ireland, which has a tragic unemployment problem, is now exporting capital as well as labour, hardly the appropriate balance for an under-developed country.

This is partly the result of a mistaken industrial policy. Foreign companies attracted to Ireland by low corporate taxes use transfer pricing to generate profits which are lent on to more highly taxed subsidiaries elsewhere. But for Britain, free of such distortions, and still a temporary oil producer, a strategy aimed at a sustained current account surplus really could be counted an unambiguous success.

Failure grounds Chinese space hopes

By Daniel Green in London

CHINA'S fledgling commercial space programme was grounded yesterday with the failure of its Long March 3 rocket to put an Australian communications satellite into orbit.

As a result, the worldwide satellite industry and its customers in telecommunications and broadcasting face delays and higher fees for launches and insurance.

Likely victims include Mr Ted Turner, owner of the CNN satellite television service, Hughes Aircraft of the US, the biggest satellite maker in the world, and Cable and Wireless, the UK telecommunications company which partly owned the Australian satellite. The countdown in Sichuan province, south-west China, progressed smoothly but the rocket did not take off when the motors ignited.

"In scientific pursuits, failure is unavoidable and frequent," said China's Great Wall Industrial Corporation, which oversees the marketing of satellite services to foreign customers.

Hughes Aircraft, which made the satellite, said: "With the ignition there was an indication that there may have been a problem, which they detected on their instruments. It went into emergency shutdown."

The commercial launch vehicle is a modified intercontinental ballistic missile. The strap-on engine, which appeared on Chinese television to have caught fire, was one of two booster rockets on the original missile. The Australian embassy in Beijing said the satellite should not have been harmed.

But launch schedules, planned years in advance, will have to be rewritten. Australia faces a particularly pressing problem since yesterday's satellite was intended to provide a replacement for one due to go out of service later this year.

CNN hopes to broadcast to the Middle East and Africa on a satellite scheduled for launch on Long March 3 next year. The failure will disrupt plans by Sweden and Malaysia for launches in China.

Insurance brokers and underwriters will re-examine their satellite premiums. The Long March 3 launches already command a higher premium – about 18 per cent of the typical $100m cost of a satellite – than their rivals.

There are only a handful of satellite launchers in the world. They include Ariane, in Europe, and General Dynamics in the US. In an effort to break into this lucrative market, China has been offering sharply lower prices than the $70m-$90m charged by western organisations.

China has launched 31 satellites since sending its first rocket into space in 1964. It entered the international launch business in April 1990, sending the Asiasat telecommunications satellite into space for a Hong Kong-based consortium.

Tories enlist Thatcher's aid

Continued from Page 1

would secure an overall majority of 20 seats on April 9.

Mr Major's speech, which followed a scathing denunciation by his predecessor of Mr Kinnock's "socialism", signalled the start of a determined and abrasive campaign to win back the support of the skilled working classes.

Amid Conservative recognition that many of the so-called C2 social group had been reassured about Labour's intentions by Mr John Smith's shadow Budget, Mr Major widened the attack on the opposition's tax plans.

Drawing on his party's calculation that Labour would have to increase public spending by £38bn a year if it were to meet the commitments in its election manifesto, Mr Major said taxpayers would face an increase of £1,250 a year in their tax bills.

The £1,250 figure, dismissed by Mr Kinnock as "sheer fantasy", will be at the centre of the Conservative approach for the remaining weeks of the election campaign.

Labour embarks on 'charm offensive' with UK business

By Ivo Dawnay and Ralph Atkins

MR NEIL KINNOCK, leader of Britain's opposition Labour party, yesterday set out his agenda for the second week of election campaigning with a "charm offensive" targeted at industry and commerce.

At a meeting with pro-Labour business leaders in London, he said a Labour government would "enable" business but not interfere in it.

His business "brunch", hosted by Lord Hollick, managing director of MAI, the financial services group, portrayed Labour as having adopted the best practices of EC governments.

The central theme – that Labour is now "the party of industry" – will be further developed at today's launch of the party's manufacturing policy.

Party strategists added later that they would build on Labour's positive agenda, contrasting it with a Tory campaign which, they said, had become increasingly negative.

Opinion poll findings showing "inexorable movement" in Labour's favour had panicked the Tories into deploying Mrs Margaret Thatcher to rejuvenate a lacklustre campaign, they added.

Looking confident and relaxed, Mr Kinnock argued yesterday that, of all the EC governments, Britain's was unique in believing "the function of the state was to withdraw from all responsibility" for business.

By contrast, Labour believed that government "does have a real role" in aiding the development of the economy and the manufacturing base.

Asked by one businessman how nervous voters might be persuaded that Labour would not adopt more radical policies once elected, Mr Kinnock said such a move would be suicidal.

Mr John Smith, the party's chief finance spokesman, later made clear a Labour government would not set zero inflation as its target, but would be content with a rate equal to the EC average. Speaking on BBC television, Mr Smith said: "The important thing is to have inflation roughly at the same level as your competitor countries."

He rebuffed any suggestion that Labour's policies on the minimum wage or public spending would be inflationary or would lead to knock-on wage rises. Spending pledges, meanwhile, "will have to take place within an overall Budget framework set by the government," he added.

Amid a barrage of Tory attacks, he also corrected earlier comments by Mr Roy Hattersley, Labour's deputy leader, that an increase in the 50 per cent top income tax rate proposed by Labour could not be ruled out. "We will not increase the top rate," Mr Smith said.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Bordeaux	F	15	59	Faro	S	23	73	Locarno	F	11	52	Naples	F	16	61	Singapore	S	29	84
				Boulogne		-	-	Florence	F	17	63	London	R	15	53	Nassau		-	-	Stockholm	C	5	41
				Brussels	R	10	50	Frankfurt	R	4	39	Los Angeles †	F	13	55	New Delhi	F	26	79	Strasbourg	R	8	46
				Budapest	F	9	48	Geneva	R	7	45	Luxembourg	R	9	48	New York †	F	-3	27	Sydney		-	-
Ajaccio	F	15	59	Buenos Aires		-	-	Gibraltar	S	19	66	Madeira	S	19	66	Nice	F	15	59	Tangier	S	22	72
Akrotiri	C	12	54	Cairo	F	18	64	Glasgow	R	7	45	Madrid	F	22	72	Nicosia		-	-	Tel Aviv	R	11	52
Algiers	S	20	68	Cape Town		-	-	Guernsey	D	10	50	Majorca	F	18	64	Oporto	S	22	72	Tenerife	S	21	70
Amsterdam	C	7	45	Caracas		-	-	Helsinki	F	6	43	Malaga	S	19	66	Oslo	R	7	45	Tokyo	S	10	50
Athens	S	13	55	Casablanca	S	20	68	Hong Kong	C	18	64	Malta	C	16	61	Paris	R	11	52	Toronto †	Sn	-6	21
Bahrain	C	17	63	Chicago †	C	-1	30	Innsbruck	R	4	39	Manchester	F	8	46	Perth	S	23	73	Tunis	C	17	63
Barcelona	S	16	61	Cologne	R	8	48	Inverness	F	9	48	Melbourne	S	21	70	Prague	R	6	43	Valencia	S	22	72
Beijing	C	6	43	Copenhagen	R	4	39	Islamabad				Mexico City		-	-	Reykjavik	F	4	39	Vancouver †	S	5	41
Belfast	R	8	46	Corfu	F	14	57	Istanbul	F	8	46	Miami †	F	21	70	Rhodes	S	13	55	Venice	S	10	50
Beirut	C	10	50	Dallas †	F	17	63	Jersey	D	11	52	Milan	S	16	61	Rio de Janeiro		-	-	Vienna	F	10	50
Belgrade	R	8	46	Denver †	C	-3	27	Johannesburg	F	28	82	Montreal †	C	-13	9	Rome	F	16	51	Warsaw	C	6	43
Berlin	C	7	45	Dublin	F	11	52	Las Palmas	S	21	70	Moscow	S	4	39	Salzburg	F	7	45	Washington †	F	1	34
Biarritz	S	14	57	Dubrovnik				Larnaca	T	11	52	Munich	R	3	37	S'Francisco †	C	13	55	Wellington	S	15	59
Bombay	S	31	88	Edinburgh	F	8	46	Lisbon	S	24	75	Nairobi		-	-	Seoul	S	13	55	Zurich	R	4	39

Temperatures at midday yesterday † Noon GMT temperatures C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

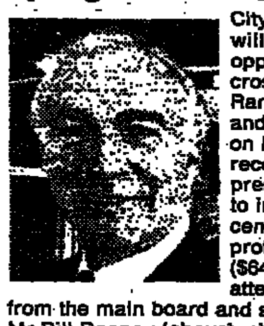
Monday March 23 1992

INSIDE

Bleak picture for Minolta

Minolta, the Japanese camera maker, hopes its scheduled payment today of $127.5m to settle a US patent dispute will restore confidence within an innovative company now confronted by a bleak profits picture. The dispute with Honeywell, the US technology company, over autofocus technology capped a three-year period during which Minolta's profits evaporated, its sales stagnated, and a drive into the office equipment market brought only modest results. Page 20

Spring Ram bucks the trend



City of London analysts will have plenty of opportunity today to cross-examine Spring Ram, the UK kitchens and bathrooms group, on how it has beaten the recession. The results presentation, expected to include a near-25 per cent increase in pre-tax profit to around £37m ($64m), is being attended by 18 directors from the main board and subsidiaries including Mr Bill Rooney (above), chairman and joint founder. Page 19

Liffe merger goes ahead

The London International Financial Futures Exchange has resolved an argument with marketmakers which threatened to sabotage its merger with the London Traded Options Market. The merger went ahead as planned yesterday. Page 18

Colt faces its High Noon

It may have been good enough for Buffalo Bill and scores of other American pioneers but the Colt pistol is in danger of finally fading into history. The Connecticut-based Colt Manufacturing Company, founded in 1836 by Sam Colt, last week filed for protection from creditors under Chapter 11 of US bankruptcy law. Page 20

Institutional challenge

One of America's most influential institutional investors has thrown down a gauntlet to 10 of the country's largest companies — including American Express, International Business Machines, and Time Warner — and threatened to vote against the re-election of their directors if they do not pay more attention to shareholders' interests. Page 20

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UK insurers may face liquidation

By Andrew Jack in London

PROVISIONAL liquidators are today expected to be appointed to two insurance companies under scrutiny by the Department of Trade and Industry for a series of financial transactions with companies connected to Mr Rupert Murdoch.

It is believed partners from accountants Price Waterhouse will be be appointed by directors of Trinity Insurance and Bryanston Insurance, two companies owned by GFA International, a holding company controlled by Mr Grant Fowler, the Australian entrepreneur.

The action comes as DTI officials consider a report from accountants Ernst & Young submitted by the directors on the regulatory implications of transactions since early 1990 totalling at least £20m ($34.6m).

An official close to the investigation said yesterday these were "not suitable or usual for an insurance company".

The report was commissioned by Mr John Winter, an accountant and company doctor brought in by directors of the two companies in January this year following the departure of Mr Fowler as chief executive. Mr Winter declined to comment yesterday, but the report is believed to document short-term loans worth £10m since 1990 to Trinity and Bryanston by Cruden Investments and Kayarem, two companies within the Murdoch family business empire which between them owned more than 43 per cent of News Corporation at the end of the last financial year.

It also shows outstanding loans of about £6m made in early 1990 by Trinity and Bryanston to Panfida, the Australia-based group which owned the Martin chain of newsagents and went into liquidation in January. News Corporation held a 29.9 per cent stake in Panfida and also made loans totalling £30m to Martin.

The report highlights a further £4m in loans to offshore companies, most of which have been repaid. It says Mr Fowler is married to Penny Calvert-Jones, Mr Murdoch's niece.

Trinity and Bryanston have become insolvent following large underwriting losses, a lack of investment income and high operating expenses. The directors of the two companies are seeking approval of creditors to propose a scheme of arrangement in the High Court under insolvency law. About 120 staff are expected to be made redundant.

Nikki Tait reports on the US courier's retreat to home base

FedEx wraps up its European dream

Ask an American to send you a small package overnight, and the chances are he will suggest "FedEx-ing" it. Make the same request in Europe, and the sender might mutter anything from "DHL", through a nationalised rail service to a local courier.

This linguistic difference says much about the retreat from intra-European business last week by America's largest express delivery company. Memphis-based Federal Express has inveigled its way into US business life to where it is part of the language. In Europe, it has conspicuously failed.

This has not been for want of money, effort or incentive. Faced with a maturing domestic market, Federal Express has poured about $2.5bn into international expansion since the mid-1980s, much of it in Europe. Yet its international operating losses have spiralled from $43m in 1988-89, to $391m in 1990-91. During the quarter to end-February 1992 they reached $125m.

This demanded action, and rumours that FedEx would abandon intra-European deliveries, or subcontract such services, have been rife for months. But now the decision has been taken, three questions remain. Why did the strategy fail? Will this retreat staunch the international losses? And where will retrenchment leave FedEx's longer-term strategy outside its home territory?

The company was born 20 years ago, when its founder, Mr Fred Smith, built up a fleet of purple-painted aircraft and vans, and created a reliable US overnight delivery market.

Today, up to 3m overnight packages are transported daily in the US, and Federal Express commands about half the business. However, within a decade of formation, FedEx was seeking new areas for expansion. It made one disastrous foray into the facsimile business, with ZapMail. When that was aborted in 1986, its attention shifted overseas.

Like much of its competition, Federal Express was attracted by Europe. The 1992 harmonisation measures were expected to ease customs and logistical problems, while development of pan-European business organisations seemed likely to boost demand.

FedEx bought its way into Europe with relatively small deals — including the UK's Lex Wilkinson in 1986, and Littlewoods' Home Delivery Service in 1989. But in 1988, it acquired Los Angeles-based Tiger International, the world's largest air cargo carrier, for $880m.

This two-fold strategy appears to have been a mistake. According to an analyst, it provoked "all the classic problems of an American company arriving in Europe". FedEx attempted to stamp a single identity on disparate European businesses, but failed to appreciate the difficulties of blending local practices.

The European operations were largely ground-based, but FedEx mostly used air transport. "They couldn't combine successfully and found a low level of synergy existed," said Mr David Gutherie, an analyst at Morgan Keegan, the Memphis brokerage.

Tiger, meanwhile, produced its own problems. The workforce was unionised while FedEx's was not, and much of its customer base comprised freight-forwarders — essentially competitors to FedEx. They were wary, and integration was difficult.

Projections for European market growth were over-optimistic. Mr Tom Oliver, head of FedEx's worldwide customer operations, estimated last week that the intra-European overnight market was 100,000 packets a day - a trickle compared with the US.

Competitors, notably Connecticut-based United Parcel Service, were determined to move in, while Brussels-based DHL and Australia's TNT provided established competition. "Current capacity could service 150 per cent of what is being projected for the year 2,000", said Mr Paul Schlesinger at Donaldson, Lufkin & Jenrette.

FedEx's retrenchment will cost 6,600 jobs, involve subcontracting intra-European deliveries outside 16 major cities, and confine FedEx to a direct service between the US and these points.

In theory, this should stem some operating losses. But analysts are not optimistic — reflected in FedEx's share price which ended the week $3 lower at $51¼.

Federal Express's finance director, Mr Alan Graf, declined to say how much of last quarter's deficit could be attributed to intra-European business. FedEx warned it was "unable to predict with certainty whether the announced restructuring will reverse the existing trend of increasing international losses", although it predicted recovery in 1993.

The company claims the 16-city service will mean it delivers about 45 per cent of its European packages itself — with all the "quality control" advantages this implies. As the retrenchment was being announced, FedEx wrote to its US customers, explaining that the Express freighter service — offering speedy intercontinental service — would expand to Paris and Milan. Mr Oliver also said that while FedEx was "not happy with revenues out of Asia", the market is different from Europe, and no radical overhaul is planned.

Yet, should demand for overnight delivery in Europe grow in future, re-entering the market will not be easy. Clearly, the major remaining players — DHL, TNT, and UPS — will take every advantage of FedEx's retrenchment.

"It's a fine line," suggested Mr Schlesinger, "between a strategy they can't afford, and a strategy that's essential to the long-term well-being."

FEDERAL EXPRESS
Results for years to end-May ($m)

	1991	1990	1989	1988
Revenues	7,688.3	7,015.1	5,167.0	3,882.8
Total operating profits	279.8	413.6	424.4	379.5
split between:				
International operating losses	391.4	194.5	42.7	30.5
Domestic operating profits	671.2	608.1	467.1	410.0
After-tax profits	5.9	115.8	184.6	(65.6)*

*Net loss followed write-off on ZapMail

EC seen as threat to City success

By Robert Peston in London

THE biggest threat to London's status as a leading financial centre comes from ill-conceived regulation, especially new EC directives. That is the preliminary conclusion of the first study by the City itself into what determines its success as a financial centre.

The City Research Project's interim report, prepared by the London Business School with funding from the Corporation of London, identifies three issues — regulation, the structure of markets and government policies to encourage internationally oriented businesses — as central to London's future success.

The report, shows the remuneration of senior City executives is generally lower than on Wall Street or Tokyo. Senior fund managers, equity traders and foreign exchange dealers earn more in Tokyo and in New York than in London.

However, cash compensation packages are higher than Frankfurt and Paris. The report found that corporate finance executives, who advise companies on takeovers and fund-raising, earn more in London — almost £160,000 ($276,800) a year on average — than elsewhere in the world.

The report aims to identify areas for further study. Mr Stanislas Yassukovich, former chairman of the Securities Association who initiated the research and is chairman of the project's governing board, said: "Regulation is probably the top issue."

He highlighted dangers to the City from European Directives aiming to impose common rules on European financial centres.

Markets were so different, he said, that uniform rules might not be appropriate. He cited the example of recent attempts by the EC and regulators of securities firms to devise a common standard for the amount of capital each securities firm must maintain — their capital adequacy ratios — as a protection against financial shocks.

"In the London market, securities firms have access to hedging instruments and can use devices designed to share risk with partners", he said. As a result, London securities firms might be less exposed to risk than rivals in Frankfurt or Paris. So it might be unfair to impose the same capital requirements and associated costs on a London securities firm as on a Continental-based firm.

Delicate art of balancing tax reforms

Economics Notebook

By Peter Norman

IF THE past two weeks have demonstrated anything, it is that general elections in Britain are a poor breeding ground for sensible tax reform.

Mr Norman Lamont's budget *offended the tax reform lobby* with its proposal for a 20p tax band for the first £2,000 of taxable income. Mr John Smith's shadow budget for the opposition Labour Party last week was a mixture of good and bad.

The three classic aims of tax reformers are to promote:

- economic efficiency
- fairness and
- administrative practicality.

Labour's plans for a sharp increase in higher tax rates also raise the separate issue of how far they might affect the UK's economic performance.

But first to Mr Lamont's budget. It was to be expected the 20p lower tax band would be badly received by enthusiastic reformers. The independent Institute for Fiscal Studies, in particular, has campaigned for higher allowances rather than a reduced rate band on the grounds that the least well off are helped far more by being taken out of tax than by reducing the tax they pay.

The lower tax band poses other problems. Low-income taxpayers who only pay the 20p tax rate but have savings in banks and building societies will have to claim back part of the 25 per cent basic rate of tax now deducted at source from their interest earnings. To cope with the change the Inland Revenue will have to hire an extra 800 staff.

Mr Smith plans to increase the personal allowance by 10 per cent instead of the statutory 4.5 per cent in Mr Lamont's budget. His shadow budget would take 740,000 people out of tax at a cost of £920m ($1.6bn) against the £1.77bn cost of the government's lower tax band in 1992-93.

Among other good ideas in the Labour package, the proposed removal of the 2 per cent employees' national insurance contribution (NIC) on earnings under £54 a week would remove one of the more crazy anomalies in the British tax and benefits system. At present, a person earning £54 a week pays no contribution, whereas someone earning £55 a week pays 2 per cent on his or her income, resulting in a marginal tax rate of 110 per cent.

But Mr Smith's plans to extend the 9 per cent employees' NIC to all employees earning more than £405 a week and introduce a top 50 per cent tax to be placed on top incomes.

Another curious effect of Mr Smith's plans, given Labour's history as the workers' party, would be that unearned income will be treated more favourably than earned income if Labour wins the election.

Mr Smith dropped his original plan to extend the 9 per cent employee's NICs to interest and dividend income above £3,000 after a wave of protest from people who had recently been made redundant. Under band would almost certainly give new life to the tax avoidance industry, especially as Labour has no plans as yet to alter capital gains tax.

Labour's plans to remove the upper-earnings limit for employees' NICs can be expected to boost payments in kind rather than cash, even though the shadow budget promises to extend employers' NICs to such perks.

So long as Labour has no plans to add new capital gains tax rates to the present 25 per cent and 40 per cent rates — and a party official confirmed that this was the case last Friday - pressure would grow among middle managers to take income in the form of share options. Any capital gains from these would attract top tax rates of 40 per cent against the top 59 per cent levy Labour, the Duke of Westminster would therefore pay a marginal tax rate of 50 per cent on his unearned income while a not-so-affluent manager would lose 59 per cent in income tax and NICs from every pound earned above a taxable income of £36,375.

Such developments would fly against the principle of tax neutrality, which has become the generally accepted goal of finance ministries in the big industrial countries over the past decade. Neutrality has as its objective a system that does not distort the workings of market forces or discriminate against specific groups.

But would Labour's plans do more, and actually damage the UK economy? The Conservative Party says yes. It claims that by sharply increasing the effective top rate of tax from 40 per cent to 59 per cent at relatively low income levels, Labour would reduce incentives. The Tory manifesto reflects this view, declaring: "Lower taxes have encouraged more people to work harder - not to spend their time working out how to avoid penal taxes."

This is an issue over which economists cannot agree. While supply-siders support the Conservative view, others argue that changes in tax rates can have little effect on how hard most people work because employees have little direct influence over their levels of output or their hours at work.

There is more evidence that marginal tax rates have incentive or disincentive effects on so-called "secondary workers", who are frequently married women doing part-time jobs. In so far as Mr Smith's Budget would hit the net income of heads of households, it might encourage their hitherto unemployed partners to seek work. On the other hand, there are likely to be some highly paid secondary workers — notably in the South East of England — for whom Labour's plans would act as a disincentive.

The fact that Labour's planned 59 per cent top tax rate would bite at a relatively low income level makes any forecast of its effects difficult.

The UK had a top rate of 60 per cent as recently as 1988. But when parliament approved that rate — in Mr Nigel Lawson's 1987 budget — it applied to taxable incomes worth more than £56,000 in today's money against £36,375 in Mr Smith's plan.

By the standards of other industrialised democracies, Mr Smith's draft budget proposes tax increases of unusual severity for a significant minority of people. It is open to doubt whether such a radical tax change would be possible under forms of democracy other than Britain's first-past-the post, winner-take-all electoral system.

Pakistan rethinks bearer bond sale

By Farhan Bokhari in Islamabad and Alan Friedman in New York

THE State Bank of Pakistan, the country's central bank, has cancelled plans to sell bearer bonds in the US, and is deferring their sale in other countries after fears that the bonds could be used to launder drugs money.

The bank's advertisements for the foreign currency bearer certificates, which appeared last week, said bondholders would not have to pay income tax or wealth tax. The advertisements also said: "No questions asked about source of funds" and "No identity to be disclosed".

These ads prompted Senator John Kerry of Massachussetts to write to Mr Alan Greenspan, chairman of the Federal Reserve Board, and Mr Richard Breeden, head of the Securities and Exchange Commission, asking that the sale of the bonds be stopped because they could be used to launder money. An aide to Senator Kerry said the SEC was considering moves to prevent the sale of the bonds in the US. It was also learned that Fed inspectors are examining records at US branch offices of the National Bank of Pakistan.

A source at the Pakistan State Bank said yesterday the bonds, due to go on sale today had been withdrawn from the US. The sale elsewhere had been deferred to ensure compliance with local laws.

The bonds, denominated in US dollars, D-Marks, sterling and Yen, went on sale in Pakistan on March 15.

Liffe and marketmakers resolve argument

By Tracy Corrigan

THE LONDON International Financial Futures Exchange has resolved an argument with marketmakers which threatened to sabotage its merger with the London Traded Options Market, allowing the merger to proceed as planned on Sunday.

Mr David Burton, Liffe's chairman, flew back on Friday from the Futures Industry Association's annual meeting in Boca Raton, Florida, where he was due to speak, in order to help patch up differences with the six firms which had agreed to make markets in individual stock options under the new exchange.

Throughout its four-year history, the merger has been dogged by disagreements over the best way to resurrect the UK market in individual stock options, which languished under the control of the stock exchange.

The firms had threatened not to sign up as marketmakers unless Liffe agreed to appoint a managing director to oversee the development of the stock options market under the new exchange.

Without marketmakers the merger would have been effectively sabotaged.

The Liffe board decided to resist strong pressure from the marketmakers, even at the cost of the merger, on the grounds that the merger itself would be meaningless if the futures and options markets were run separately.

At the eleventh hour, the marketmakers backed down in return for assurances on the running of the market. A detailed business plan for the equity options market will be completed in May. "A compromise was cobbled together," said one marketmaker.

Speaking after Friday's board meeting, Mr Michael Jenkins, chief executive of Liffe, described the merger as "a genuinely difficult task. We have all been struggling to find a way forward."

The merger was postponed in January because an insufficient number of firms came forward to make markets in the 67 equity options traded on LTOM. While hopes are running high for the FT-SE index option contract, there seems little sign that the merger will provide any immediate boost for individual stock options.

The UK lags other European stock options markets. Volume in French and German stock options represents around 20 per cent of the volume traded in the cash market, while UK stock option volume totals a mere four per cent of the UK stock market.

But Mr Jenkins thought that changes to the structure of the market would help to boost trading. "I believe that the new market making arrangements, coupled with changes in stock borrowing and taxation relief, offer the potential for a competitive and liquid market," he said.

Olympia & York fails in bid to secure $220m Japanese loan

By Alan Friedman and Eric Reguly in New York

OLYMPIA & YORK, the Canadian property group controlled by the Reichmann family, failed at the end of last year to raise $220m (£127m) of long term funds from Japanese investors, it emerged yesterday.

Morgan Stanley, the US investment bank, was retained by O&Y to secure the finance from the Japanese. O&Y believes that if Morgan had succeeded, it would have avoided some of the adverse publicity it has recently received about its financial position.

Mr Peter Rosenthal, a spokesman for O&Y, said: "Morgan Stanley only told us they had failed to raise the funds at the very last minute in December. And while that was not what triggered adverse publicity about O&Y, it was clearly a contributing factor."

O&Y is shortly to meet its bankers to discuss a possible reorganisation of its huge borrowings.

Morgan said yesterday that it informed the Reichmanns in December that the funds, which it had been retained to raise, would not be forthcoming because of a lack of investor interest.

At around the same time, Morgan was exercising an option it had to sell to O&Y a building, 25 Cabot Square, that Morgan Stanley developed and owned at O&Y's Canary Wharf project. Morgan Stanley later brought a legal action against O&Y to force it to pay the $240m sale price of the building.

O&Y said yesterday that Morgan Stanley's fundraising effort was "designed to raise finance for the sale" by Morgan to O&Y.

But Morgan Stanley denies the link between the building's sale to O&Y and the Japanese fund-raising effort.

"While it is true we were retained by O&Y to raise the funds from Japanese and other investors, the sale [of the building] was not contingent on Morgan Stanley arranging the financing for O&Y," a Morgan Stanley spokeswoman said.

Morgan Stanley has brought a UK legal claim against O&Y to seek the $240m payment.

A UK court ruled in Morgan Stanley's favour earlier this month, but the decision was stayed pending an appeal.

O&Y said yesterday that it expected to make the $240m payment to Morgan Stanley "on or before June 30, 1992."

Eric Reguly is New York correspondent of The Financial Post.

Laporte to unveil further details of split with Solvay

By Paul Abrahams

WHEN Laporte unveils its preliminary results tomorrow the British specialty chemicals group also plans to announce details of the proposal to deconstruct Interox, its £500m joint venture with Solvay, Belgium's largest chemicals company.

The decision to dissolve one of the chemical industry's oldest joint ventures – it has lasted 21 years – follows a divergence of interests between the two groups.

While Laporte has concentrated since the early 1980s on high-value low volume products, Solvay has stayed in the capital-intensive bulk chemicals arena.

Under the terms of the deal presently being negotiated, Solvay will acquire Interox's bulk hydrogen peroxide and persalts businesses which have a turnover of about £200m.

Laporte will acquire the subsidiary's organic peroxides and persulphates operations which have sales of about £65m.

In addition, two-thirds of Solvay's 25 per cent stake in Laporte will be cancelled – equivalent to 16.7 per cent of the group – while the other third – representing about 8.3 per cent – will be placed on the market.

Laporte says both hydrogen peroxide, sold to the textiles and paper and pulp industries, and persalts, used mainly in detergents, do not fit into its strategy.

The main problem is they are highly capital intensive. Interox's debt over the last five years has risen from £25m to more than £100m, with most of the increase being used to fund capital programmes in these two areas.

Prices for hydrogen peroxide have also been falling as the area attracts more competition.

The British company says Solvay is well placed within the sector because its caustic soda operations provide hydrogen as a by-product, offering an almost free resource for peroxide manufacture.

It argues that the Belgian group's integrated operations will put it in a strong position to cope with a downward pressure on prices.

In contrast, the two businesses Laporte is acquiring – organic peroxides, used as catalysts to manufacture polymers, and persulphates, required for the production of acrylic fibres – are not capital intensive.

What they do require is the sort of sophisticated technical processes in which Laporte specialises. Laporte says these businesses fit into its strategy of investing in areas with high margins, strong cash-flow and a high technical content.

Between 1980 and 1990, the proportion of Laporte's profits provided by specialty chemicals increased from a third to two-thirds.

After Akzo, the Dutch company, Interox is the second largest European producer of organic peroxides with sales of about £45m a year.

Laporte estimates the world market, which is growing annually at about 5 per cent, is worth about $750m (£434m).

Interox is also the largest European supplier of persulphates, with sales of about £20m. Demand for the chemicals is increasing at about 7 per cent year, with a market valued at $120m.

Laporte says the deal will not dilute earnings during the first year and should significantly enhance them afterwards. Last year Laporte earned a dividend of £18.7m from Interox.

However, this should be offset by tax gains, a lower dividend bill because of the smaller equity base, and a reduced investment programme without the capital-intensive bulk hydrogen peroxide operations.

The group also expects to make savings by closing Interox's manufacturing sites in Australia and Brazil, and concentrating its efforts in Munich and Teesside, where it is investing £15m over the next two years.

Brent Walker rescue moves a step nearer

By Peggy Hollinger

THE £1.65bn refinancing marathon at Brent Walker appears to be finally drawing to a close with lawyers working over the weekend to incorporate the final changes to documentation as requested by the leisure group's bankers.

Mr John Leach, Brent Walker's finance director, said the group expected official agreement from the banks on the refinancing by next Tuesday, when bond holder and shareholder resolutions on the plan expire.

However, Mr Leach sounded a note of caution – well aware that the Brent Walker negotiations, which began in November 1990, have been some of the longest and most tortuous in UK corporate history. "I will believe it is done when it is done," he said.

If there is a last-minute hitch, the group will have to call another extraordinary meeting for shareholder approval of the plan which aims to convert £250m of secured bank debt into ordinary and preference shares. Such a move could throw the refinancing into doubt and push Brent Walker into receivership.

There are four major agreements which need final approval from Brent Walker's 50-odd banks. A final draft had been sent to bankers last week and was returned with nothing more than adjustments to the documentation, said Mr Leach. The final documentation was expected to have been sent to the banks today.

Bankers to William Hill, the bookmaking chain bought from Grand Metropolitan for £679m in 1989, are also expected to give their official approval to the refinancing.

The dispute with GrandMet over payments on William Hill had been sidelined, said Mr Leach. "There has been no progress on GrandMet. We have agreed to let negotiations continue."

FT-SE Eurotrack 100 Index

The FT-SE Eurotrack steering committee has agreed to make the following changes to the FT-SE Eurotrack 100 Index constituent list with effect from Wednesday, April 1:

Additions: Alleanza (Italy); Union Electrica Fenosa (Spain); Pirelli SpA (Italy).

Deletions: Commerzbank (Germany); Swiss Bank participation certificates (Switzerland); Viag (Germany).

The indicative reserve list now comprises: Thyssen (Germany); Elsevier (Netherlands); Michelin B (France); Nestlé participation certificates (Switzerland).

New London to buy rest of US subsidiary

By Deborah Hargreaves

New London, the energy services group, has made a £2.3m ($4m) offer to acquire the rest of New London Inc, its US-based oil and gas production and oilfield services subsidiary.

The company will buy the remaining 29 per cent stake in New London, as well as its 8.5 per cent convertible preferred stock.

As part of the deal, New London will issue 6.5m shares to Mercury Asset Management in return for that company's 11 per cent share in the US unit. The stock offer will result in Mercury owning a six per cent stake in New London.

In return for the 8.5 per cent convertible preferred stock, New London will issue holders with $3.8m convertible loan notes maturing in 2000.

Mr Paul Kesterton, New London chairman, said the deal will "simplify the group's structure and give us greater flexibility for profitable growth."

Guinness to invest £53m at Park Royal brewery

By Peggy Hollinger

GUINNESS, the UK-based international drinks group, is planning to invest £53m in rebuilding its main UK brewery at Park Royal in West London.

The investment will be phased over four years, with the bulk of expenditure in the first two to three years. Mr Bill Spears, Guinness's director of public affairs, said the group planned to used existing banking facilities to fund the investment.

Guinness's debt will rise only marginally as a result. The group reported borrowings of £1bn in its annual results on Thursday, with gearing at just over 50 per cent. Pre-tax profits rose by 13 per cent to £956m for the year to December 31, 1991.

The investment programme, which is due to begin in the next few months, will mean only a fractional increase in the brewery's capacity of 3m hectolitres – or 500m pints – a year, said Mr Spears.

The main benefit would be in reducing costs through improving efficiency and quality control. "There is every reason to believe that there will be a significant reduction in costs per hectolitre," he said.

The programme will also mean the eventual loss of some of the 1,300 jobs at the 60-year-old brewery, although Mr Spears said it was too early to quantify the number of redundancies.

Employee representatives endorsed the plan two weeks ago. "They appreciate there will be job losses," Mr Spears said, "but also that the plan will secure in the much longer term the jobs which remain."

Guinness plans to use the investment programme as a opportunity to increase efficiency and improve working practices, he said.

The brewery, which is situated on a 30-acre site and produces Guinness stout, Harp lager and Kaliber, the low alcohol beer, would become the "most technologically advanced in the UK" as a result of the investment, Mr Spears said.

COMPANIES AND FINANCE

Breeding success from a budding generation

Jane Fuller takes a look at Spring Ram's winning formula for beating the recession

CITY analysts will today have plenty of opportunity to cross examine Spring Ram Corporation, the kitchens and bathrooms group, on how it has beaten the recession.

The results presentation, which is expected to include a near-25 per cent increase in pre-tax profit, is being attended by 18 directors from the main board and subsidiaries. Estimates of the pre-tax figure hover around £37m to £38m, compared with £30.1m in 1990.

What the crowd coming down from Yorkshire should try to explain is how a company that was a baby in the last recession has tackled this one like a veteran, while continuing to grow like a stripling.

Mr Bill Rooney, Spring Ram's chairman and joint founder, tends to talk about enthusiastic people, or even magic beans, suggesting that many of the reasons are intangible.

However, some more down-to-earth strands can be traced and they weave themselves into a pattern of growth that has so far proved repeatable.

Cash has been one of the keys. Spring Ram got over a bulge in capital spending in the late 1980s and in 1989 and 1990 spent only £3m a year. Cash held grew to £31.3m by the end of 1990 and interest contributed £2.2m to annual profit.

Last year, even though capital spending was stepped up to nearer £15m, the cash pile continued to grow. In the autumn it was on course for a near-50 per cent expansion to roughly £45m. This contrasts with the debt-laden state of its two main rivals in kitchens, Magnet and MFI.

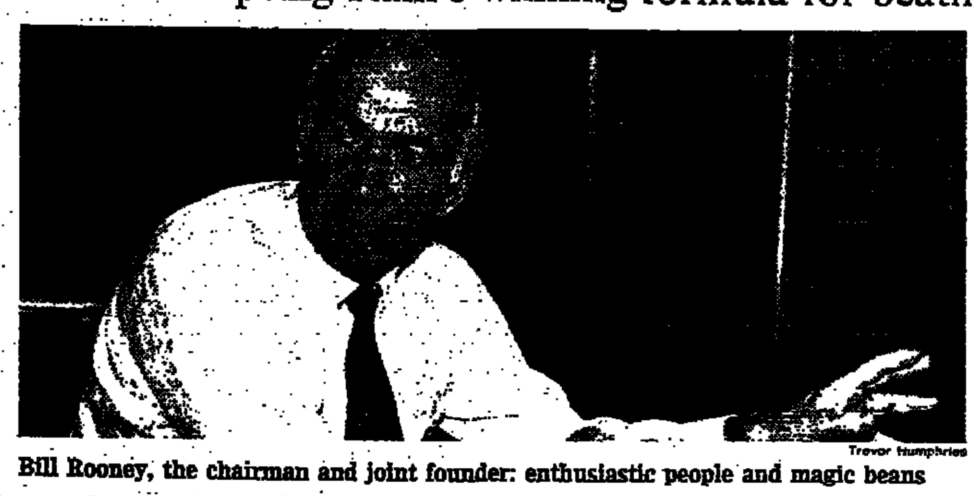
Interest will again have been a profit centre in 1991, with resources husbanded in the tightest of ways. The Ram collects promptly but takes its time to pay, for instance.

The more creative part of the equation has been the taking up of the factory capacity by a growing number of operating companies, created by a process similar to biological budding.

New subsidiaries have rolled out the range of products into different niches of the kitchens and bathrooms markets. Last year, the generation of youngsters coming into profit included Chippendale Kitchens, taking the group into a more up-market area.

Similarly the channels of distribution have multiplied. Independent retailers, won over by Spring Ram's marketing support, provided the original skeleton. It has been fleshed out by the DIY superstores and builders' merchants – supplied on the bathroom side, for instance, by another young company called Streamline.

The process is set to continue with companies spun off to supply ceramic tiles – increasing the product range in a conventional Ram area – and doors, where a small acquisition followed by factory building is pushing the group into new parts of the house.



Trevor Humphries

Bill Rooney, the chairman and joint founder: enthusiastic people and magic beans

The scale of the group's ambitions can be measured by the £60m that it plans to spend on factories over the next two years.

Such heavy investment sounds like a risk and the case for saying it will pay off is based simply on history. In spite of the switch to cash absorption and the continued recession, analysts are forecasting a further profit rise this year – albeit at a slower rate.

This bullishness is reflected in the share price, which has shot up from 63p at the beginning of last year to 164p earlier this month. Friday's close of 155p is more than 20 times estimated 1991 earnings.

There has been some profit realisation along the way, notably by directors last summer.

One of them, Mr Francis Galvin, has left and seems set to use the money to build a rival kitchens business. Perhaps a case of the budding going too far.

How the group will maintain its entrepreneurial spirit in-house as it gets bigger – its market value is about £560m already – is just part of the inevitable question that will be asked after today's meeting: "When will it run out of momentum?"

Director resigns at NHL

By David Barchard

A BOARDROOM dispute at National Home Loans, the troubled mortgage and consumer finance group, has led to the resignation of Mr Ken Lewis, the group's operations director.

Mr Lewis, who had been with NHL since it was established in 1986, was in charge of marketing, product development and services at the group. He is understood to have found it difficult to work with Mr Jonathan Perry, a former director of Morgan Grenfell, who took over as chairman and chief executive a month ago.

A three line statement from NHL on Friday night said that Mr Lewis had resigned to pursue other interests. His departure brings the number of executive directors on NHL's seven-member board down to three. No replacement has been appointed at this stage.

NHL, once a leading UK mortgage lender, incurred losses of £47.9m last year. It has been in the doldrums since July when its banking subsidiary had to be rescued by a £200m cash lifeboat from the high street clearers led by the Bank of England.

Laura Ashley in US alliance

By John Thornhill

LAURA ASHLEY, the international fabrics, fashions and furnishings group, has signed a 10-year contract with Federal Express entrusting its worldwide distribution arrangements to the US logistics company.

The deal is estimated at £150m.

The business logistics arm of Federal Express will assume joint respsonsibility for Laura Ashley's supply chain, helping to ensure the most efficient delivery of goods from the retailer's international network of suppliers to its 500 stores in 28 countries.

Federal Express will also work on developing a global home delivery service by September 1993, enabling Laura Ashley to deliver goods direct to shoppers within 24 to 48 hours.

This service will use Federal Express's courier services in the US and the rest of the world but will mainly rely on sub-contractors in Europe.

Federal Express announced last week that it was heavily restructuring its European parcels delivery operations with the loss of 7,000 jobs.

Mr Jim Maxmin, Laura Ashley chief executive, predicted the move would greatly improve the company's operating efficiencies and would at a minimum save £3m in planned systems development costs.

Additional benefits would result from working capital improvements and the ability to respond more quickly and flexibly to customers' requirements especially on the home furnishings side, he said.

As a result of the business alliance, Laura Ashley will shut three warehouses in the Netherlands, the US and Milton Keynes with the loss of 60 jobs. The company will take a £4.5m exceptional charge in its accounts for the year to January 1992 – booked as a post-balance sheet event.

Beta Global

Net asset value per ordinary share of Beta Global Emerging Markets Investment Trust stood at 101.8p (74.9p) at December 31. After-tax profit emerged at £664,000 (losses £426,000), equal to earnings of 3p (losses 1.9p).

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Hongkong & Shanghai Banking Corp (Hong Kong)	Midland Bank (UK)	Banking	?	Better late than never
Consortium (International)	Circle K (US)	Retail stores	£266m	Bankruptcy rescue plan
Cadbury Schweppes (UK)	Aguas Minerales (Mexico)	Soft drinks	£188m	Buying a market leader
Chilgener/Chilectra (Chile)	Central Nuevo (Argentina)	Electricity generation	£54m	Privatisation success
TNT (Australia)	Chronoservice (France)	Delivery services	£35m	FedEx continues retrenchment
Aegon (Holland)	Allami Biztosito (Hungary)	Insurance	£29m	Strategic European expansion
Porter Chadburn (UK)	Lancet Label (US)	Labels	£14.9m	Phased payment
Hillsdown Holdings (UK)	Holco (Holland)	Food	£11.7m	Bolt-on buys mushroom
M/A Com (US)	Greenpar (UK)	Connectors	£7m	Peek non-core sale
Sun International (Belgium)	Cresta World Travel (UK)	Holiday tours	n/a	Cresta continuing independent

Source. FT Mergers + Acquisitions International

THE THAILAND INTERNATIONAL FUND

International Depositary Receipts issued by Morgan Guaranty Trust Company of New York

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of The Thailand International Fund Limited will be held on 16th April, 1992 at the office of Fidelity International Limited, Pembroke Hall, Pembroke, Hamilton HM CX, Bermuda at 4.00 pm.

ORDINARY RESOLUTIONS

1 To receive and approve the Report of the Directors and the Financial Statements of the Company for the year ended 31st December 1991.
2 To receive and approve the auditor's report.
3 To elect Mr. B. Johnstone and Mr Ebsworth and re-elect Mr C.T.M. Collis, Mr A.M. McKenzie, Mr U Vichayabhai, Mr D Amatyakul and Mrs S. Voravudhi as directors of the Company.
4 To approve payment of director's fees for the year ended 31st December, 1992.
5. To approve the declaration and payment of a dividend of 20 cents per share to all holders of Participating shares
6. To permit all future annual and extraordinary meetings to be held in such location outside the United Kingdom as the directors may determine.
7. To re-appoint Coopers & Lybrand as auditors of the Company and to authorise the Board to fix the remuneration of the auditors for the year to 31st December, 1992.

SPECIAL RESOLUTION.

8. That Article 74 of the Company's Articles of Association be deleted and replaced by a new Article 74 in the form set out below:

"74 No business shall be transacted at any General Meeting unless a quorum is present. Two Members present either in person or by proxy, and holding at least one-twentieth in nominal amount of the shares forming the issued capital of the Company and carrying the right to vote shall be a quorum for a General Meeting. A representative of a corporation authorised pursuant to Article 98 hereof and present at any meeting of the Company, or at any meeting of any class of Members of the Company shall be deemed to be a Member for the purposes of counting towards a quorum.

9. That the shareholders ratify all previous decisions taken by the Company in General Meeting.

Voting arrangements for IDR's-holders

IDR's-holders who wish to vote must follow the procedure explained hereunder.

IDR's-holders must

- deliver the IDRs to the Depositary at the latest on 14 April, 1992 at the address given below attention Securities Department-telephone 322.5088215 - telex 21752 MORBK B), instruct the Depositary as to the manner in which votes should be cast, and indicate to whom the IDR's should be returned after the meeting. or - instruct EUROCLEAR or CEDEL to block the number of shares for which they want to vote and to vote in their behalf.

Copies of the Semi-Annual Report of the Company are available with the Depositary at the address indicated below.

Depositary: Morgan Guaranty Trust Company of New York
35, Avenue des Arts, 1040 Brussels

COMPANIES AND FINANCE

Minolta's tricky change of focus

Robert Thomson looks at a company facing a bleak profit picture

Minolta, the Japanese camera maker, hopes that its scheduled payment today of $127.5m to settle a US patent dispute will restore confidence within an innovative company now confronted by a bleak profit picture.

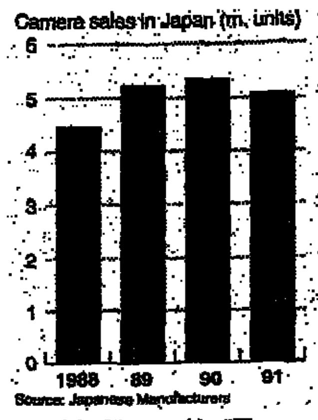
The dispute with Honeywell, the US technology company, over autofocus technology capped a three-year period during which Minolta's profits evaporated, its sales stagnated, and an ambitious drive into the office equipment market brought only modest results.

With Minolta forecasting an Y8bn ($59m) loss for the year ending this month, its first loss for 26 years, the company shares a vulnerability with other Japanese companies which based business strategies on high quality but low profitability, and whose margins have shrunk with increasing competition and international recession.

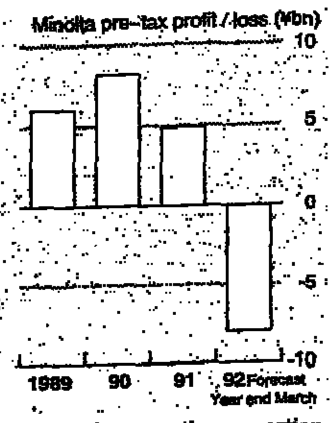
Patents aside, the Minolta case also highlights the difficulties faced by Japanese manufacturers attempting a personality change to reduce reliance on a traditional product line. These companies covered the initial expenses of transformation during the easy money era of the late 1980s, but now find themselves with excess capacity, high capital costs, and little experience in overcrowded markets.

Mr Ned Moro, Minolta's general manager, along with his fellow directors, has taken a 10 per cent pay cut to show that he is accepting responsibility for the troubles of a company still proud that its technology was aboard the first US manned space mission in 1962.

"We wanted to make a direct sacrifice to encourage our employees and our shareholders," Mr Moro said. "We are now reviewing many things. We are reviewing expenses, and we have decided to cut capital spending. If there are projects we can delay, we may do so."



Source: Japanese Manufacturers



Capital spending is likely to fall to Y10bn from Y13.5bn this year but the success of the company's overhaul is more likely to depend on the course of the Tokyo stock market than on cost cutting. Minolta plans to borrow the $127.5m Honeywell payment from its banks, and will repay the money by cashing in unrealised gains on share holdings.

Mr Moro said that the company would like to wait until the Tokyo market gathers strength, as its unrealised gains have fallen with the collapse of the Nikkei average. But the longer Minolta waits, the heavier the interest burden – at the end of last September those unrealised gains totalled Y58.6bn, down from Y61.3bn in March.

Minolta had recognised that a shift in product emphasis was needed and, three years ago, announced a plan to reduce the camera share of total sales, to sharply increase the office equipment share, and to increase the proportion of domestic sales.

The three-year target was for annual sales of Y300bn, though the company forecasts only Y220bn for the current year, and for increased sales of office equipment to push the camera share down to a third of the total – the figure last year was 44 per cent. It was hoped that domestic sales could be lifted from about 17 per cent of the total to 33 per cent, though they are now hovering around 25 per cent.

"We used to have a high market share in this country, but our founder was a pioneer and committed himself to selling in foreign markets. I don't want to say that we ignored the domestic market, but we concentrated on foreign markets," Mr Moro explained. The strategy, he said, had left the company exposed to foreign exchange fluctuations and left it under-represented in the sophisticated Japanese market.

Even domestic camera sales have turned soft in the past year, including those of the camera for which Minolta is best known, the single-lens reflex. The market contracted by 9 per cent to 761,000 units and prices fell by as much as 30 per cent, as makers rapidly introduced new models and discounted older lines.

Mr Moro explained that winning market share for office automation equipment was more difficult than expected: "We have been trying to find our strength in the market. We had a good zoom plain paper copier, but now everybody has the zoom copier. We couldn't follow up the engineering with sales."

In introducing new products and finding new clients, Minolta is facing similar problems to foreign companies trying to enter the Japanese market.

"One of the problems is that we can't really break through with major clients. The competitor's merchandise is already on the premises. It is difficult to convince any Japanese customer to change brands," Mr Moro said.

The reliance on foreign sales and, in particular, its high-profile in the US market prompted Minolta's quick settlement with Honeywell, though the speed of the deal surprised other Japanese camera equipment makers, about 15 of whom now face litigation.

After a US court awarded Honeywell $96.35m in damages last month, the Japanese company had three options – accept the judgment, negotiate with Honeywell, or appeal. Mr Moro said the two companies began negotiations, and agreed on the $127.5m figure, which includes licensing fees.

"We thought of appealing, but it would take a lot of time and money. If we were not a manufacturer of high-publicity consumer goods, maybe we would think differently. We decided to lift this burden from our shoulders. Now we can look ahead."

Institutional investor in challenge to 10 groups

By Martin Dickson in New York

ONE OF the most influential institutional investors in the US has thrown down a gauntlet to 10 of the US's largest companies – including American Express, International Business Machines, and Time Warner – and threatened to vote against the re-election of their directors if they do not pay more attention to shareholders' interests.

The action represents a significant escalation of a campaign being waged by activist investors in the US for better corporate governance – making companies more responsive to the wishes of the shareholders who own them.

The threat comes from the California Public Employees Retirement System (Calpers), the leading US public pension fund, which complained that the 10 either paid their top managers too much, had too few outsiders on their boards, or failed to consider shareholders' interests when setting strategy. The result was poor financial performance.

Calpers has emerged as the most aggressively activist of the US's large institutional investors and in recent years has put down many reformist resolutions to be voted on at companies' annual meetings, which tend to be held between March and May in what is known as the "proxy season".

Last autumn, in a change of policy, Calpers said it would try to negotiate behind the scenes with a dozen unnamed companies where it wanted to see change, rather than engage in public confrontation during the proxy season.

Now, however, it has shifted its tactics again.

It said that two of the 12 companies – Ryder System and ITT Corporation – had made changes along the lines it proposed but the other 10 had yet to do so, while some had even refused to meet it.

Mr Dale Hanson, Calpers' chief executive, said that "if we are unable to reach agreement with the remaining 10 companies we may be forced to vote "no" at the next election of directors".

Many of the companies replied that Calpers' criticisms were unfounded or being addressed. Calpers' aggression is deeply disliked by corporate America and is controversial among institutional investors.

BBV plans to cut 3,000 jobs

BANCO Bilbao Vizcaya (BBV), Spain's second largest bank, plans to cut 3,000 jobs and close 300 branches, Reuter reports from Frankfurt.

The bank had 2,771 branches in Spain and 157 offices abroad at the end of 1991. It employed some 28,800 people in Spain at the end of last year.

"To boost productivity some 3,000 jobs will go between 1992 and 1994 and in order to rationalise our branch network we will close maybe 300 branches over the next three to four years," said Mr Alfredo Saenz, first vice-president.

He said expansion of credit demand this year would be in line with economic growth in Spain, which BBV predicts will be around 2.5 per cent. He said lower provisions for bad debt and future pension payouts would underpin BBV's profits.

This year's incorporation of the group's 217 non-financial companies under new Bank of Spain accounting guidelines would give BBV's 1992 profits a 5 per cent boost.

The expansion of market share in Spain and an increase in productivity as BBV quickened the pace of cost savings would result in higher operating results in 1992, said Mr Saenz.

DFC beats debt deadline

DFC New Zealand, the investment bank that sent shock waves through the New Zealand economy when it collapsed in 1989, has largely repaid its tier-one debt, three years ahead of schedule, Reuter reports from Wellington.

Creditors with tier-one notes and loans are to be repaid in full three years earlier than expected, the final NZ$335 ($129m) payment taking place on April 15, according to Mr Sandy Maier, DFC's statutory manager Sandy Maier.

The payment would bring to about NZ$1bn the amount DFC has paid to tier one creditors over the last year.

A large part of DFC's debt, which was estimated at about NZ$2.2bn at the time of its failure, is held by Japanese creditors. Mr Maier said the risk that DFC might default on any of its scheduled repayments had now been removed.

The government's participation in the DFC restructuring and repayment plan had included various currency swap transactions needed to hedge DFC's currency exposure relating to US dollar and yen obligations under its tier-one debt. These swaps would now be sold or cancelled.

History sets its sights on the Colt hand gun

The pistol has become a victim of tough competition, **writes Alan Friedman**

It may have been good enough for Buffalo Bill and scores of other American pioneers but the Colt pistol is now in danger of finally fading into history.

The Connecticut-based Colt Manufacturing Company, which was founded in 1836 by Sam Colt, last week filed for protection from creditors under Chapter 11 of US bankruptcy law.

And while the company received an emergency $10m injection from its main creditors – the Connecticut Development Authority and Austria's Creditanstalt banking group – that may not be enough to save the 925 jobs remaining at its Hartford headquarters.

Colt's history is rich enough. The hand gun, it used to be said, "made all men equal." But Colt has lately become a victim of declining defence contracts and tough competition from companies such as the British-owned Smith & Wesson and Italy's Beretta group. At present Colt is believed to represent less than 7 per cent of the US market in hand guns.

Gun control remains a political controversy in the US, with the Bush administration doing little to counter the pro-gun lobby. But Colt's weapons have proved less appealing to sportsmen, criminals and other arms aficianados than the cheaper and equally deadly "Saturday night specials" that have proliferated recently.

In its bankruptcy filing Colt said it failed to make sufficient progress in a financial restructuring that was agreed two years ago, when the company was saved with the help of Connecticut state pension funds. At the time a coalition of Colt workers, managers, private investors and the Connecticut state pension fund bought 47 per cent of the company, which had been crippled by a lengthy strike.

As Colt filed for protection from creditors, Mr Anthony Autorino, chairman and chief executive of Colt, resigned. He was succeeded by Mr Worth Loomis, president of the Hartford, Connecticut Graduate Centre.

Colt plans to use the $10m capital injection to reorganise its finances and perhaps its products. With gun-fever in the US creating more demand for dangerous semi-automatic weapons, Colt's focus may shift away from its traditional revolvers.

A sign of the company's declining fortunes is that the police force in Hartford, Connecticut, does not even pack a Colt. The police in Colt's home town prefer the Smith & Wesson .45 semi-automatic pistol, made in Massachusetts by a company that was acquired five years ago by FH Tomkins of the UK.

Earnings at Mandarin Oriental fall by 17%

By Simon Davies in Hong Kong

MANDARIN Oriental, the Hong Kong-based luxury hotel arm of the Jardine Matheson group, has announced a 17.3 per cent drop in net profit for 1992 to $37.4m, compared with $45.2m in 1990.

This was the second consecutive earnings decline for Mandarin following a 10.3 per cent profits fall in 1990. Turnover in 1991 rose 3 per cent to $127.2m.

Mr Robert Riley, managing director, said there had been an improvement in the hotel market in the first two months of the year, with profitability at a similar level to 1990. The 1991 figures were in line with expectations, given the impact of the Gulf war, the increase in competition from luxury hotels on Hong Kong island and the global recession.

The group's hotels in Hong Kong and Bangkok were hit hard last year, but Manila, Jakarta and Macau succeeded in increasing profit contribution.

The company announced a final dividend of 3.59 cents per share, making a full year payout of 5 cents, the same as 1992. The company also said it would apply for a primary listing in London, if the Hong Kong Stock Exchange goes ahead with changes to the secondary listing rules.

Chicago trading of German bond futures poised to go ahead

By Barbara Durr in Boca Raton

THE Chicago Board of Trade, the world's largest futures market, and the Deutsche Terminbörse, the largest options exchange in Europe, have signed a memorandum of understanding which should clear the way for German government bond futures trading in Chicago.

The bund is currently traded at the DTB, which also trades futures, and the London International Financial Futures Exchange.

Under the agreement, the two exchanges said they would examine the possibility of creating reciprocal offset and clearing systems for the bund future. Design and modification of the contract's terms, trading hours, price information sharing and marketing are also to be agreed upon.

German banks, which have already shifted most of their bund trading from Liffe to DTB, support a Chicago link for the bund. German bank officials said bund trading at the CBOT would offer arbitrage opportunities and, because of time differences, extend the hours during which they could trade.

The CBOT, home of the 30-year US Treasury bond future, the world's most active futures contract, has for some time pursued listing international bond contracts. Several years ago and again late last year it negotiated with Liffe on the bund contract, but those talks were inconclusive.

Mr William O'Connor, the CBOT chairman, said that the memorandum, which was completed at last week's annual meeting of the Futures Industry Association, was the basis of "a potentially long and broad relationship between the two exchanges."

For the DTB, an electronic exchange which competes for bund business with Liffe, it is an opportunity to draw trading volume to its market. It also would provide an international trading and clearing link for members of both exchanges, said Mr Joerg Franke, chief executive officer of the DTB.

SYNDICATED LOANS

Cyprus returns with $35m five-year deal

By Sara Webb

CYPRUS has returned to the international capital markets with a $35m five-year syndicated loan for the Electricity Authority of Cyprus.

The Republic of Cyprus last turned to the loans market in September 1991 when it wanted a $120m five-year standby facility to back its $200m Eurocommercial paper programme.

The latest deal, arranged and underwritten by Sumitomo Bank and Commercial Bank of Greece, is guaranteed by the Republic of Cyprus and will be used to pay for two gas turbines. The margin is 60 basis points over the London interbank offered rate (Libor), with front-end fees of 25 basis points for commitments of $5m, 20 basis points on $2.5m and 15 basis points on $1m.

Bankers point out that the terms on the latest deal are not truly comparable to those on the earlier Republic of Cyprus transaction which was arranged by Arab Banking Corporation, Bank of America, Bank of Tokyo, Gulf International Bank, Manufacturers Hanover Trust, WestLB Group and Girozentrale Vienna.

The Republic of Cyprus facility paid a commitment fee of 35 basis points, but the margin of 65 basis points over Libor was seen as "academic" since the facility provided a backstop to the commercial paper programme to be drawn in case of emergency.

INTERNATIONAL BONDS

Treasurers tune in to medium-term note programmes

THE line between a corporate treasurer hitting a borrowing target or missing it can be very fine indeed. Five basis points (0.05 of a percentage point) may sound a small, almost insignificant fraction, but to an aggressive corporate borrower it makes all the difference. One result of this relentless pursuit of finer terms is the rapid growth of a medium-term note market in Europe. In some places in direct competition to the public Eurobond market.

Medium-term notes have traditionally existed between the short-term commercial paper markets and bond markets. As with commercial paper, an MTN programme acts as a shelf registration, providing a platform of documentation for a borrower to issue debt instruments whenever needed. The terms of each issue of notes (currency, maturity or perhaps an extra twist, for instance linking the notes to an equity index) are picked to match what investors want at any particular moment. In return for providing tailor-made debt instruments, borrowers demand – and usually get – keener borrowing terms.

Some treasurers are now learning that, rather than just dribbling out notes, they can use the same documentation to launch large-scale, fully underwritten issues that look and taste just like Eurobonds. That is unlikely to spell the death of the public Eurobond market, though it is already creating an alternative.

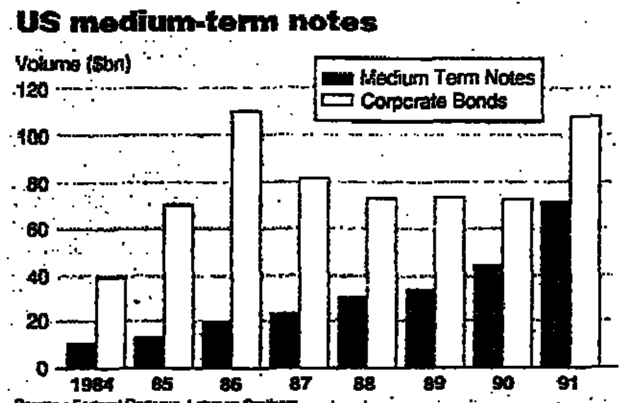
Using MTNs "saves cost and time," said Mr Peter Yngwe, treasurer of Swedish Export Credit (SEK), a frequent user of the Eurobond markets. "It could make the difference between doing a transaction and not doing it, that is the significant thing."

SEK set up an MTN programme in the Euromarkets a year ago and issued Ecu100m of one-year notes in a quasi-Eurobond offering. "If it's a short maturity, the costs can be a significant point," said Mr Yngwe. He estimated using the MTN route, rather than a Eurobond, saved between five and ten basis points.

The savings come from the fact that an MTN programme can be re-used constantly, spreading the costs of setting it up, while a Eurobond offering is a one-off event.

"You spread your cost across a larger number of bonds," said Enterprise Oil, which created an MTN programme in the US a year ago (the Euro-MTN market is not yet liquid for maturities of more than five years, Enterprise said). The oil company has used its programme both in the traditional way, feeding $150m of notes to investors in digestible pieces over a number of months and by launching a fully-underwritten $100m issue of 10-year notes.

US medium-term notes



Source: Federal Reserve, Lehman Brothers

Other borrowers which have recently set up Euro-MTN programmes also expect to use them as an alternative to public bond markets. Two building societies, Halifax and Leeds, said they expect the programmes to be useful in a broad range of ways. One use could be to refinance existing Eurobond issues: Halifax's Eurobonds date back as much as five years, soon after the mutually owned societies were first permitted to borrow in the capital markets, and refinancing could be done through MTNs.

How far will this market grow? As the chart shows, a growing proportion of borrowing in the domestic US debt markets is being done through MTNs. The Euro-version of this market, though immature by comparison, saw new programmes set up with a total theoretical limit of $42bn, compared with $31bn the year before.

One thing above all is likely to hold the market back: a perception by investors that MTN issues are illiquid, compared with Eurobonds. The perception stems largely from the fact that new note issues are generally small and are not made fungible (interchangeable) with earlier issues under the same programme. That raises fears among investors that there is no depth to the market and that it would be difficult to sell a large holding with ease.

Mr Ingwe said that in theory, liquidity for large issues should be the same, whether a company issued paper under a Eurobond offering or through a note programme. But he added: "Theory is one thing, reality another." Many investors will only buy Eurobonds. "We have to go to the investor," he said.

Some bankers go further and claim that liquidity is actually *better* in the note market than the bond market. The argument runs like this: prices in the secondary Eurobond market are determined by market-makers, many of whom set their prices according to what they believe they could get for the bonds by selling to another market-maker. Aside from the original lead manager to an issue, they have little commitment to market making and no continuing responsibility for the issue. When bonds come on to the market they can ricochet between market-makers, driving down the price.

MTN dealers, on the other hand, say they have a continuing relationship with the issuer and are therefore committed to the programme. So if they are offered bonds in the secondary market, they will make more effort to place the paper with investors, helping to keep the price closer to true value. Being a dealer is "a public commitment," said Mr Keith Phair, associate director of NatWest Capital Markets.

This argument over market structure ignores one important point: that ultimately, prices are determined by what end-investors will pay for them, and that banks only prosper by selling paper through their distribution arms, whether bonds or notes. If investors, whether rightly or not, believe that notes are less liquid than bonds, then fewer will buy them. This in turn helps to keep notes less liquid.

This circle will only be broken when enough investors have dipped their toes in the water and concluded that notes are not so bad after all. With the growing number of treasurers who want to use such funding structures, that day is getting nearer all the time.

Richard Waters

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
EIB†	500	1997	5	7	98.87	Goldman Sachs Intl.	7.278
Daito Trust Const.(o)§†	300	1999	7	3	100	Yamaichi Intl.(Europe)	3.02
OKB.†	200	1997	5	7¼	100.905	J.P.Morgan Secs.	7.029
Toyota Motor Fin.Neths.†	200	1995	3	6¾	101.0725	Crdt.Suisse First Boston	6.346
Onward Kashiyama Co.♦	200	1996	4	3¼	100	Nomura Intl	3.250
Telebras.(d)†	90	1997	5	10	98.165	Salomon Brothers Intl.	10.755
Nakano Corp.#†	75	1996	4	3¼	100	Yamaichi Int.(Europe)	3.25
Yasuda Tst.Asia Pacific(n)‡†	50	2002	10	(d)	102	Crdt.Suisse Fst.Boston	-
D-MARKS							
Asfinag♦	300	2002	10	8	102.0	UBS Bank (Frankfurt)	7.707
Sagami Co.(a)♦	60	1996	4	4⅝	100	Nikko Bank (Deutsch)	4.625
SWISS FRANCS							
IABD.**(g)	150	2000	-	7	102⅜	Banque Paribas(Suisse)	6.597
Sankyu Inc.§†	120	1996	-	6½	100	New Japan Bk.(Schz)	6.500
Hitachi Info Services‡	100	1996	-	3⅜	100	SBC	3.375
Kito Corporation.(m)**§	60	1996	-	4⅛	100	Nomura Bank	4.168
YEN							
Mitsui Fudosan Co.(c)‡†	30bn	1997	5¼	(c)	100	Nikko Europe	-
Tokyo Land Corp.†	20bn	1996	4	6.1	101.1	Yamaichi Intl.(Europe)	5.776
Republic of Ireland†	10.5bn	1995	3	5½	100	Daiwa Europe	5.488
GS Financial Products(h)†	4bn	1995	3	(i)	100.25	Goldman Sachs Intl.	-
GS Financial Products(h)†	6bn	1997	5	(j)	100.375	Goldman Sachs Intl.	-
GS Financial Products(h)†	6.6bn	1998	6	(k)	100.5	Goldman Sachs Intl.	-
GS Financial Products(h)†	13.4bn	1999	7	(l)	100.625	Goldman Sachs Intl.	-
FRENCH FRANCS							
Toyota Motor Credit†	1.5bn	1995	3	9¼	101.1375	Bque Paribas Cap.Mkts.	8.802
Ste Nat.Indus.Aerospatiale†	1bn	2002	10	9½	99.90	Credit Lyonnais	9.14
ECU							
Kingdom of Denmark(o)†	1bn	2002	10	8½	99.27	Unibank/Den Danske	8.612
Credit Local de France.(q)†	225	1997	4.75	8½	100.67	Crdt.Comm.de France.	8.310
Bank of Greece (p)‡†	200	1997	5	(p)	100	UBS Phillips & Drew	-
Cse.Cent.De Coop'tion Ec.†	200	1997	5	8⅝	101.44	Credit Lyonnais	8.261
World Bank†	150	1997	5	8¼	99.95	Credit Lyonnais	7.278
Shimano Inc.♦†	100	1996	4	4⅞	100	Nikko Europe	4.875
Banque Indosuez S.A.†	75	1994	2	10	102	Daiwa Europe	8.865
CANADIAN DOLLARS							
Smithkline Beecham Cap.†	125	1997	5	9½	101.326	Merril Lynch Intl	9.158
GUILDERS							
Commerzbank AG(l)†	150	2002	10	8½	100.40	Rabobank	8.439
AUSTRALIAN DOLLARS							
Ste.Bk.of New Sth Wales†	100	1999	7	10½	101	Deutsche Bk Cap.Mkts.	10.293
Gen.Elec.Cap.Australia.†	75	1997	5	10	101.40	Hambros Bank	9.634

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate notes. ♣Variable rate note. †Final terms. a) Exercise premium fixed at 2.56%. Non-callable. b) Exercise premium fixed at 2.54%. Non-callable. d) Coupon payable semi-annually. Put option on 15/12/1994 at par. e) Coupon pays 60bp below the Japanese long term Prime rate g) Fungible with earlier issue by Volksbank. h) Backed by a portfolio of securities and options. i) Coupon pays Yen Libor plus 30bp June 1992, then an annual of 5.9%. j) Coupon pays Yen Libor plus 30bp to June 1992, then an annual of 6.3%. k) Coupon pays Yen Libor plus 50bp. l) Coupon pays Yen Libor plus 50bp. Fungible with existing 8½% bond due 3/4/1992. m) Coupon payable semi-annually. Put option on 31/3/94 at 109.75 to yield at 8.753. n) Coupon pays 6 months Libor plus 50bp for first 2 years. Thereafter pays 9⅞. o) Domestic issue, listed in Copenhagen. p) Coupon pays ⅞ above 3 months Libor. Non-callable. q) Fungible with an existing Ecu 500m issue

UK GILTS

Election fears add selling pressure

THE government gilt-edged *securities market continued to* perform weakly, as investors took fright from opinion polls *indicating a poor showing for* the Conservative party.

At the same time, a general shift in purchasing patterns for bonds away from European issues and into Japanese and US instruments helped to push down gilt prices.

But in thin trading there were indications of modest buying support for gilts, relative to other European bonds, as the recent rise in yields made the instruments *appear* cheap to some investors.

Over the week, prices for gilts fell by up to ½ point, following a drop of 1¼ points the week before. There was a consequent moderate rise in *yields.*

The selling pressure was triggered mainly by nervousness about the April 9 election. Many gilt practitioners fear that a government formed by the opposition Labour party, or *a hung parliament, would lead* to a large drop in bond prices.

Gilt prices were not helped by a general move by international investors to switch money out of European bonds, with US Treasury issues being the main beneficiary. Japanese bonds also experienced extra demand. Much of this develop*ment followed jitters about the* level of wage settlements and inflationary pressures in Ger*many*, which could mean no early reduction in German interest rates by the Bundesbank.

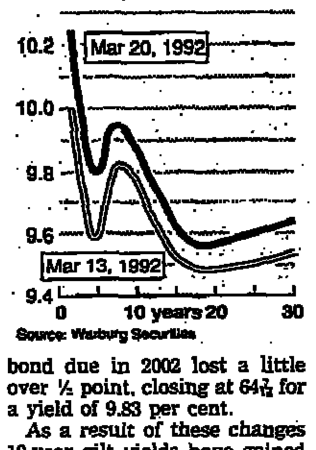
A continuation of the German central bank's tight monetary policy would prolong the period of high borrowing rates in other European countries, including Britain and France. Such countries have to keep their short-term rates tied to those in Germany due to the *linkage of the European* exchange rate mechanism. The prospect of high rates in Britain and France until well into the second half of 1992 effectively diminishes the appeal to investors of government bonds issued by these nations' governments.

During the week, the short-*dated UK Treasury 10 per cent* gilt maturing in 1994 dropped by just under ¼ point, closing on Friday at about 99$\frac{23}{32}$. Its yield was pushed up from 10.04 to 10.12 per cent (expressed in semi-annual terms).

*Longer dated securities per*formed worse, resulting from investors moving their attention away from these bonds to the shorter end of the yield curve. This was in search for what, after the sharp rise in short-maturing gilt *yields* the previous week, appeared like bargain bonds in the stretch of *the curve below the 10-year* mark. The 9 per cent Treasury

UK gilts yield

Restated at par (%)



Source: Warburg Securities

bond due in 2002 lost a little over ½ point, closing at 64$\frac{7}{16}$ for a yield of 9.83 per cent.

As a result of these changes 10-year gilt yields have gained about 50 basis points (half a percentage point) in yield in the past month, underlining their reduced attraction.

Over the same period, German 10-year bonds have also seen their yields pushed up, but by only about 15 basis *points, while French bonds of* the equivalent maturity have seen a yield gain of roughly 25 basis points.

This means that investors are demanding a yield premium of slightly more than 200 basis points for 10-year gilts against the comparable German bonds. Just three weeks *ago, the yield difference* between the two classes of bonds was only 150 basis points, indicating that since then investors have become a lot more wary about holding UK bonds.

The nervousness shown by many investors about gilts was in spite of economic data last week indicating *no* let up in the 18-month UK recession.

In normal times, this would *increase the attraction to* investors of fixed-interest securities. This is on the basis that the chances of large rises in prices at either the wholesale or the retail level in Britain over the next year or so are extremely weak.

However, the imminence of the election – plus the doubts about the next move on interest rates by the Bundesbank – mean such calculations count for little.

According to Mr Sanjay Joshi, a bond specialist at Daiwa Securities, the Japanese finance house, the German central bank might be so vexed about the dangers of spiralling inflation that its next move might be to push rates up. As well as sending shock waves around European countries, which need to pull rates down to revive their flagging economies, that could accelerate the drift by investors out of the European bond markets and in particular reduce gilt prices.

Peter Marsh

US MONEY AND CREDIT

Treasuries suffer from the jitters

THE US Treasury bond market is most definitely suffering from a case of the jitters, and there are indications the bearish sentiment will continue this week.

Last Friday saw a sharp fall in the price of the benchmark 30-year Treasury bond, with the ⅝ of a point drop – to 99$\frac{17}{32}$ – sending the yield on the *paper up above the 8 per cent* mark again, to 8.04 per cent. The price on Friday was still $\frac{5}{16}$ higher on the week, but the emerging negative trend seems likely to continue.

The nervousness stems from mounting fears among investors that the US economic recovery will be stronger and *faster than had been previ*ously anticipated. Good news for the US economy means bad news for the bond market, and investor concerns about recovery and fiscal stimuli resulting in more inflation are producing higher interest rates in the market.

It does not seem to matter to market psychology that top US officials are on the record as brushing aside any serious concern about inflationary pressure. Nor does it seem relevant to the knee-jerk bond market that few economists or bankers actually expect much beyond a very gradual and fragile US recovery.

Equally, the *market is still* worried about an election year tax cut that could worsen the

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	3.75	3.63	3.75	11.00	2.00
Three-month Treasury bills	4.15	4.14	4.02	8.29	3.76
Six-month Treasury bills	4.37	4.36	4.18	7.70	3.89
Three-month prime CDs	4.32	4.38	4.25	7.17	4.01
30-day Commercial Paper	4.23	4.25	4.20	7.12	3.90
90-day Commercial Paper	4.30	4.30	4.20	7.02	3.92

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	94¼	+⅜	7.35	7.39	7.07
10-year Treasury	99¼	+$\frac{15}{32}$	7.62	7.70	7.44
30-year Treasury	99$\frac{17}{32}$	+$\frac{5}{16}$	8.04	8.06	7.94

Source: Salomon Bros (estimates).

Money supply: In the week ended March 9, M1 rose by $4.2bn to$939.2bn. M2 rose by $3.2bn to $3,484.2bn.

already horrific US budget deficit. But last Friday's presiden*tial veto of a Democratic tax* package describes the situation perfectly – a highly partisan battle of words between Mr Bush and the Democrats that is resulting in a prolonged period of inaction rather than fiscally dangerous decision-making.

While in Washington, an overly *optimistic Mr Nicholas* Brady, the Treasury Secretary, suggested last week that the recovery is now here, many economists in New York are less bullish.

Mr Philip Braverman, chief economist at DKB Securities, noted that the US economy remains vulnerable to new *recessionary setbacks, possibly* stemming from major real estate, bank and insurance company bankruptcies.

Mr Braverman also warned *that the perception of an eco*nomic pick-up is due to a combination of transitory factors, inflated by inappropriate seasonal adjustments.

The market's response to such common sense caution is a great big "So what!" Something of a panic has hit a large number of the nar*row-minded and short-term* denizens of the Treasury bond market.

A few indications of an improving retail sector started the ball rolling. Never mind that one or two statistical indicators do not a roaring retail recovery make. Then, on Friday morning, the Philadelphia *Federal Reserve's monthly* regional survey also indicated an improving trend – helping to trigger Friday's sell-off.

This week the bond traders will be glued to their Reuter monitors once again, watching a stream of more data and once again confusing the forest with the trees.

On Wednesday, for example, the latest numbers on durable goods orders could show a 4 to 5 per cent increase. Secondary home sales figures for February could meanwhile show a 7 or 8per cent rise.

If those two numbers are not enough to spook *the market*, then personal income and spending figures on Friday *should do the trick*. These, respectively, are expected to show improvements of 0.4 per cent and 0.7 per cent.

In this environment, the market will also be keeping a weather eye on the Treasury's expected auction of $14.75bn in two-year notes and $10.25bn in five-year notes. Ms Maria *Ramirez, the bond analyst, said* a coupon of 5¾ or even 6 per cent may be required to attract investor interest, which would suggest the highest level since last October.

The bottom line would seem to be that the US recovery may well be getting under way, but not nearly so fast as the statis*tic watchers fear. Whether* such common sense matters to bond traders is quite another matter.

Alan Friedman

DANISH BONDS

Political factors tighten investors' nerves

DANISH economic indicators *are pointing the right way for* bond investors. Low inflation, moderate business growth and a strong external account should, all other things being equal, point to falling yields.

As the Danish economy is currently more stable than the German economy, measured by inflation, there is a potential advantage in Danish bonds for investors who believe that yields on German bunds are *likely to rise.*

But over the past few days the spread between yields on bunds and Danish government bonds has widened from around 50-60 basis points to 70-75 basis points. The main reason is a degree of nervousness in the market over Danish *political developments, said Mr* Birger Durhuus, analyst at Danse Bors, the broking arm of Den Danske Bank.

Three events, which formally are unconnected but interact with each other as far as impact on the market is concerned, are tightening nerves in the dealing rooms.

● The opposition Social Democratic Party's leader, Mr Svend Auken, is being challenged for *the leadership by his deputy*, Mr Poul Nyrup Rasmussen. If Nyrup wins, the party will have a better chance of winning the support of the small centre parties in the eight-party Folketing and thus of an eventual return to power.

● The referendum on the *Maastricht treaty takes place* on June 2. Recent opinion polls have shown majorities against approving the treaty. A "No" vote would have serious consequences for Denmark's future position in Europe.

● In September, the report of a commission of inquiry into a political scandal concerning Tamil refugees will be published. It may conclude that Mr Poul Schluter, the prime minis*ter since 1982, misled* parliament, in which case he could resign. This might result in a change of government, either with or without a general election first.

Politics aside, Danish economic performance is satisfactory from a bond investor's *point of view. Denmark is one* of only two or three countries which currently meet all the so-called convergence criteria required of potential members of the EMU, including low inflation, stable exchange rates, interest rates in line with those of leading countries, and a manageable budget deficit.

The budget deficit, however, is big enough to make the market in government bonds interesting. State net borrowing increased by DKr27bn in 1991, *and the figure will not be* much different in 1992.

Hilary Barnes

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield		Issued	Bid price	Chg on week	Yield	SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	105⅝	-⅛	6.54	SAS 10 1/8 95	150	105¼	-⅛	8.23	ASIAN DEV BANK 6 10	100	90½		6.92
ABN 9 1/8 94	200	104¼	-⅛	7.08	SBAB 9 1/2 95	500	106⅛	-⅛	7.18	AUSTRIA 4 5/8 98	100	89½		6.85
AETNA LIFE & CAS 7 3/4 16	200	101¼	-⅛	7.63	SBC FINANCE 7 3/4 96	200	101		7.46	CHUBU ELEC POWER 6 3/4 01	300	99½		6.86
ALBERTA PROVINCE 8 5/8 96	750	104⅛	-⅛	7.53	SEAGRAM CO 8 1/2 96	100	101½	-⅛	8.05	COUNCIL EUROPE 4 3/4 98	250	90	-½	6.86
ALBERTA PROVINCE 9 3/8 95	600	106⅝	-⅛	7.16	SEARS EURO TRUST 8 3/4 96	750	102¼	+⅛	8.11	EEC 5 1/2 00	100	91		6.91
AMERICAN EXPRESS ZERO 00	450	47⅛	+⅛	9.00	SEARS O/S FIN 0 98	500	59¼	+⅛	8.68	EIB 6 1/2 98	800	99¾		6.54
[illegible]														
PRUDENTIAL FIN 8 1/4 01	300	97½	+⅛	8.61	FORD MOTOR CREDIT 9 1/4 94	100	100	-⅛	9.20	KOBE STEEL	06/07/94	1	+⅛	50.55
PRUDENTIAL RLTY SECS 0 99	365,216	58½	+⅛	8.15	IND BK JAPAN FIN 5 5/8 96	200	91	-⅛	8.30	MITSUBISHI EST	12/06/96	3	-⅛	56.03
QANTAS AIRWAYS 8 5/8 96	97.75	103½	+⅛	7.49	INTER AMER DEV 9 00	300	106¼	-⅛	7.97	MITSUI TOATSU CHEM	17/03/94	2	+⅛	
QUEBEC HYDRO 9 02	300	102⅞	+⅛	8.53	IRELAND 6 1/2 99	300	91½	-⅛	8.07	MORINAGA	30/01/98	1½		-
QUEBEC HYDRO 9 3/4 98	150	107½	-⅛	8.20	LUFTHANSA INT FIN 5 7/8 98	500	89¾		8.18	NICHIREI CORP	13/06/95	20½	+⅛	16.68
QUEBEC PROV 9 98	200	104		8.13	NAT BK HUNGARY 10 3/4 98	500	100¼	-⅛	10.69	NIPPON COMSYS	17/06/98	13½	+⅛	18.70
QUEENSLAND GOVT 10 1/4 95	100	107¼	-⅛	7.55	SWEDEN 6 1/8 96	300	91½	-⅛	7.35	NISSHIN STEEL	31/01/95	4½	-⅛	61.65
RALSTON PURINA 11 3/4 95	150	110½	-⅛	7.89	TURKEY 10 3/4 96	300	100⅛	-⅛	10.50	ROYAL HOTEL	18/04/96	2		
REED PUBLISHING 9 5/8 97	150	105⅛	-⅛	8.22	WORLD BANK 0 15	2000	19⅝	-1⅛	7.10	SMC	14/03/95	2½	-⅛	55.53
SAINSBURY 9 1/8 96	150	104¼		7.95	WORLD BANK 5 3/4 96	300	92¼	-⅛	8.10	TAKASHIMAYA	25/07/95	3½	-⅛	
SAS 10 99	200	104⅛	-⅛	9.04	WORLD BANK 8 3/4 00	1250	104½	-⅛	7.97	TOYO SASH	02/07/96	13½	-⅛	20.99
										YAMANOUCHI PHARM	02/08/97	21		
											01/03/94	17½	-	19.18

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on March 20

THE WEEK AHEAD

ECONOMICS

Major faces trade figures hurdle in election run-up

POOR economic data during an election campaign is never good news for the incumbent party, but trade figures are especially unwelcome.

They have contributed towards upsets on many occasions, the February 1974 election campaign to name but one. A current account deficit of £312m for January was announced just two days before the actual election. Mr Edward Heath, the sitting prime minister lost.

So the Conservative party will be waiting in some trepidation for today's trade figures even if they do come almost three weeks before polling day. Once they are out and absorbed, John Major can breathe a sigh of relief, for there will be no more significant UK economic data announced before the election.

Highlights of the week ahead, with the median of City forecasts in brackets from MMS International, a financial information company, include:

Today: UK, February visible trade balance (£900m deficit), February current account (£450m deficit); Japan, February money supply (up 2.2 per cent on year); Sweden, fourth quarter GDP; Canada, January retail sales (up 0.9 per cent).

Tomorrow: US, presidential primary in Connecticut, auto sales for March 11-20 (6.2m); France, February trade balance (Fr0.5bn surplus).

Wednesday: UK, Engineering Employers Federation release state of business report and forecasts for the second quarter, February building society net new commitments (£2.6bn); US, February durable orders (up 1.8 per cent), February durable shipments, February existing home sales; Canada, January international securities transactions.

Thursday: UK, NOP opinion poll – Newsnight/Independent; US, fourth quarter final GDP (up 0.8 per cent), fourth quarter final GDP deflator (up 1.7 per cent), fourth quarter after tax corporate profits, February export and import price indices, M1 ($2bn), M2 (flat), M3 ($2bn) for week-ending March 16, initial claims for week ended March 14 (435,000), February new motor vehicle registrations; Japan, January personal income, January personal consumption expenditure, February retail sales (up 2.7 per cent on the year); Australia, February motor vehicle registrations (down 5 per cent), fourth quarter average weekly earnings, January manufacturing price index.

Friday: US, February personal income (up 0.7 per cent), February personal consumption expenditure (up 0.8 per cent), February bank credit, February commercial and industrial loans; UK, March CBI industrial trends survey; Japan, March Tokyo consumer prices index (up 2 per cent on year) excluding perishables (up 2.4 per cent on year), February national CPI (up 1.9 per cent on year), excluding perishables (up 2.2 per cent), preliminary figures for February industrial production (down 0.7 per cent); Canada, February industrial product price index (up 0.1 per cent).

During the week: Germany, February import prices (up 0.3 per cent on month, down 1.4 per cent on year), February final cost of living (up 4.3 per cent on year), March preliminary cost of living (up 0.3 per cent on the month, up 4.7 per cent on the year), February M3 from fourth quarter base (up 7.6 per cent); Italy, March consumer prices index for the major cities (up 0.4 per cent on month, up 5.5 per cent on year), February trade balance; Japan, February trade balance and current account on IMF basis; France, February unemployment rate (9.9 per cent).

Emma Tucker

RESULTS DUE

FULL-YEAR figures tomorrow from **P&O**, the shipping, construction and property group, are expected to show a drop in pre-tax profits to around £200m-£210m from £261.3m in 1990. This will be the second year of sharply falling profits, though the forecast assumes a more stable second half after interim figures showed a plunge to £73.1m (£132.1m).

P&O's balance sheet was bolstered by a £604m rights issue announced with the interims, when a maintained final dividend was promised.

On Wednesday **Reckitt & Colman**, the consumer products group, should report a rise in annual pre-tax profits to around £255m-£260m, up from £235.2m in 1990. The main feature will be the performance of Boyle Midway, the US business bought in 1990, in its first full year when some significant savings have been made. Also, the benefits of the restructuring of the European business over the last couple of years should be visible. Interim profits were up 13 per cent to £127.6m.

Cookson, the chemicals group, also reports its full-year profits on Wednesday. Analysts' expect pre-tax profits to well below last year's figure of £97.5m. Estimates at the top end are about about £45m, and the market is likely to be disappointed with anything below £40m.

The main concern will be the dividend which was cut last year to 6p for the year. There is nervousness it could be cut again which analysts would take as a signal the new management team has lost confidence in its policies. They will also be looking for any sign of an upturn, particularly in the US.

Wellcome, the healthcare company, which reports its preliminary results on Thursday, gave a profits forecast of not less than £285m (£181.2m) when the Wellcome Trust, the largest shareholder, said it would be selling a substantial part of its 73.6 per cent stake.

Underlying sales growth should be about 20 per cent, with Zovirax, the herpes treatment, and Retrovir, the Aids drug, performing well. Analysts will also be looking at the performance of new products such as Exosurf, a respiratory drug, and Wellbutrin, an anti-depressant.

Lasmo, the independent oil exploration and production company, will report its results on Wednesday when analysts believe it will show a drop in net income of some £10m to £71m as a result of low oil prices. But the company is also planning to change its accounting practices.

Burmah Castrol, the refining and lubricants company, reports on Thursday and although more insulated from the low oil price than exploration companies, is expected to show a fall in net income to £72m from £97m the previous year.

UK COMPANIES

■ TODAY
COMPANY MEETINGS
Fleming Claverhouse Inv. Tst., Chartered Accountants Hall, Moorgate Place, E.C., 12.00
Temple Bar Inv. Tst., The Watermens Hall, 16, St. Mary-at-Hill E.C., 11.00
BOARD MEETINGS
Finals.
Aran Energy
Argos
Benrose Corp.
Brent Chemicals
Canning (W.)
Claremont Garments
Cussins Property
ECC Grp.
Isle of Man Steam Packet Co.
Llanead
P-E Intl.
Rotork
Sharpe & Fisher
Spring Ram
Interims.
Community Hospitals
Kleinwort Development Fd.
Lloyd Thompson Grp.
Merivale Moore

■ TOMORROW
COMPANY MEETINGS.
Castle Cairn Inv. Tst., 1, Charlotte Square, Edinburgh. 12.30
BOARD MEETINGS
Finals.
Barr & Wallace Arnold
Brake Bros
Bredero Properties
Bridon
Colorgraphic
Derwent Valley
EBC Grp.
Edinburgh Oil & Gas
Epwin Grp.
Goal Petroleum
Geest
Iceland Frozen Foods
Invergordon Distillers
Laporte
Mallett
P & O
Pendragon
Prudential
TT Grp.
Wood (Arthur)
Woodchester Invs.
Interims:
Amber Day
Tay Homes
Wolseley

■ WEDNESDAY MARCH 25
COMPANY MEETINGS:
Bellough, The Courtyard, 26, Euston Centre. Euston Road, N.W., 12.15
Continental Assets Tst., 1, Charlotte Square. Edinburgh, 12.30
Domino Printing Sciences, Bar Hill, Cambridge, 11.00
Fleming American Inv. Tst., 25, Copthall Avenue, E.C., 12.00
Scottish American Inv., 45, Charlotte Square, Edinburgh, 12.00
Securiguard Grp., Howard Hotel, Temple Place, W.C., 12.00
BOARD MEETINGS.
Finals:
Boddington Grp.
Boustead
British Alcan Aluminium
CMB Packaging
Clifford Foods
Cookson Grp.
Dolphin Packaging
Globe & Danny
Hepworth
Kingfisher
Lasmo
Lambert Howarth
Micro Focus
Microvitec
Oriel Grp.
Page (Michael)
Reckitt & Colman
Richardsons Westgarth
Thompson Clive
Interims.
Barratt Devs.
Bridport-Gundry
Burn Stewart
Frogmore Estates
Pressac Hldgs.
Town Centre Securities

■ THURSDAY MARCH 26
COMPANY MEETINGS:
Burlington Grp., Honourable Artillery Co., Armoury House, City Road, E.C., 11.00
Hawtin, Celtic Bay Hotel, Cardiff, 11.00
London Finance & Inv. Grp., Honourable Artillery Co., Armoury House, City Road, E.C., 12.00
Lasmo, Barbican Hall, Barbican Centre, E.C., 11.30
Merlin Int. Green Inv. Tst., Knightsbridge House, 197, Knightsbridge, S.W., 11.30
Microgen, Barrington House, Gresham Street, E.C., 12.00
Tribune Inv. Tst., 155, Bishopsgate, E.C., 2.30
Trust of Property Shares, Park House, 16, Finsbury Circus, E.C., 11.00
TSB Grp., The Moat House Int. Hotel, Glasgow. 10.30
BOARD MEETINGS
Finals
APV
Appleyard
Booker
Bostrom
Bunzl
Burmah Castrol
Burnford Hldgs.
CMW Grp.
Clarkson (Horace)
Coats Viyella
Jardine Strategic Hldgs.
Jeyes Grp.
Monument Oil & Gas
Morrison (Wm.) Supermarkets
Secure Tst.
Sheffield Insulations
Slough Estates
Spear (J.W.)
Tibbet & Britten
United Newspapers
Weir Grp.
Wolstenholme Rink
Interims
Gleeson (M.J.)
Kalamazoo
Micklegate Grp.
Murray Ventures
Ricardo Int.
Wellcome

■ FRIDAY MARCH 27
COMPANY MEETINGS:
City Merchants High Yield Tst., 11, Devonshire Square, E.C., 2.15
Hill & Smith Hldgs., Birmingham Chamber of Industry & Commerce, 75, Harborne Road, Edgbaston, Birmingham, 12.00
Wescol Grp., Black Horse Inn, 198, Towngate, Clifton, 10.30
Yorkshire Chemicals, Kirkstall Road, Leeds, 12.00
BOARD MEETINGS.
Finals.
Breedon
Portmeirion Potteries
Relyon Grp.
Interims
Bentry Farming

■ SATURDAY MARCH 28
BOARD MEETINGS
Interims.
Waterman Partnership

Company meetings are annual general meetings unless otherwise stated

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Cardiff Property 1.55p
Citicorp Flg Rate Sb Cap. Nts. 19/9/98 $132.71
Commonwealth Bank of Australia Gtd. Und. Var Rate Cap Nts $134.06
European Inv Bank 11% Ln. 2002 (Br) 5½pc.
Do (Reg) 5½pc.
Hotspur Invs. 6.5p
Leeds Permanent Bldg. Society Sb Var Rate Nts. £294.01
Severn Trent 11⅝% Bds. 2001 5$\frac{13}{16}$pc.
Treasury 2% I.L. 1992 £1.3681

■ TOMORROW
AAH Hldgs. 5.4p
Asian Dev Bank 10¼% Ln 2009 5⅛pc.
East Midlands Elect. 5.1p
Do (Fly Pd) 5.1p
Do (170p Pd.) 5.1p
Eastern Elect. 4.85p
Do. (Fly Pd.) 4.85p
Do (170p Pd) 4.85p
Greenalls 11½% Db. 2014 5¾pc.
Int. Bank for Rec. & Dev 9½% Ln. 2010 4¾pc.
London Elect. 5p
Do (Fly Pd.) 5p
Do. (170p Pd.) 5p
Manweb 5.45p
Do. (Fly Pd) 5.45p
Do (170p Pd.) 5.45p
Midlands Elect. 5.65p
Do (Fly Pd.) 5.65p
Do (170p Pd.) 5.65p
Norweb 5.3p
Do. (Fly Pd) 5.3p
Do. (170p Pd.) 5.3p
Northern Elect. 5.55p
Do. (Fly Pd.) 5.55p
Do (170p Pd.) 5.55p
PrinTech Int. 1.2p
Regional Elect. Co's. Package Units 5195.93p
Do (Fly Pd.) 5195.93p
Do. (£1700 Pd.) 5195.93p
Seeboard 5p
Do. (Fly Pd.) 5p
Do. (170p Pd) 5p
Sidlaw Grp 7½% Un. Ln. 2003/08 3¾pc.
South Wales Elect. 5.8p
Do. (Fly Pd.) 5.8p
Do. (170p Pd.) 5.8p
South Western Elect. 5.25p
Do. (Fly Pd.) 5.25p
Do. (170p Pd.) 5.25p
Southern Elect. 4.9p
Do (Fly Pd.) 4.9p
Do. (170p Pd.) 4.9p
Spain (Kingdom of) 11¾% Ln. 2010 (Reg) 5⅞pc.
TR High Income Tst. 0.8p
Treasury 2½% I.L. 2001 £2.1366
Yorkshire Elect. 5.23p
Do. (Fly Pd) 5.23p
Do (170p Pd) 5.23p

■ WEDNESDAY MARCH 25
Assoc. British Foods 5½% Un. Ln. 1987/2002 1⅜pc.
Do 7½% Un. Ln. 1987/2002 1⅞pc.
British Gas 4.25p
Castle Cairn Inv 0.75p
Chapman Inds. 8½% 1st Mtg. Db. 1993/98 4¼pc.
Charlwood Alliance 7½% Un. Ln. 1.875pc.
East Midlands Elect. 12% Bds. 2016 £1173.33
GUS 12.75p
Do A 12.75p
Halliburton 25cts.
Hercules 56cts.
Manchester 3% Rd. Cons. 1928 1½pc.
Metropolitan Water Chelsea 2½% Db. 1897 1¼pc.
Neepsend 0.5p
New Zealand 11½% 2014 5¾pc.
Nottingham Water Anns. (of £3.50) £1.75
Oxford Instruments 1.4p
Renold 8% 1st Db. 1991/96 4pc.
TSB Gilt Fd. Ptg. Rd. Pf. (Class B) 0.833p
Tendring Hundred Waterworks 4½% Db. Rd. 2¼pc.
Do. 7½% Rd. Db. 1991/93 3¾pc.
Trafalgar House 9½% Un. Ln. 2000/05 4¾pc.
Do 8% Un. Ln. 1994/99 4pc
Treasury 8% 2009 4pc.
Welsh Water 10⅜% Bds. 2002 £208.04

■ THURSDAY MARCH 26
British Gas 10⅞% Bds. 2001 5$\frac{7}{16}$pc.
Dakota Grp. 0.6p
Ewe Grp. 2.7p
Exchequer 12¼% 1999 6⅛pc.
Impala Platinum 55cts.
Isetan 6.4% Nts. 1997 Y172,444
Kajima Corp. 6.35% Bds. 1998 Y182,278
Do 6.35% Bds 1997 Y182,278
National Power 10⅝% Bds 2001 £259.24
North American Gas Inv Tst 1.125p
Tops Estates 0.66p
Treasury 13½% 2004/08 6¾pc
Vaux Grp 10.75% Db. 2019 5.375pc.
Do. New 4.3884pc.
Do 9.875% Db 2015 4.9375pc
Do. 11¾% Db 2010 5⅞pc

■ FRIDAY MARCH 27
American Cyanamid 37.5cts.
Anglia Bldg Society Fltg Rate Nts 1996 £2754.86
Black & Decker 10cts
CRT Grp. 3.575p
Cardiff Automobile Receivables Fltg Rate Nts 1995 £279.71
Compass Grp. 7.55p
Elsporthinans 8⅞% Nts. 1995 4$\frac{7}{16}$pc.
GW Overseas Fin Gtd Fltg Rate Nts 1994 $293.85
Kakuzi 50cts.
Kunick 0.6p
Manchester Ship Canal 4.5p
Do 5% Perp Pf 3.5p
Mansfield Brewery 11½% Db 2010 5¾pc.
Mersey Docks & Harbour 6¾% Rd Db 1996/99 3⅜pc.
Nat. & Provincial Bldg. Society Fltg Rate Nts 1996 £138.30
PowerGen 3.05p
River & Mercantile Geared Cap & Inc Tst. 1.4p
Sabre Int. Series D 6.4% Sec Nts 1998 3.2pc.
Scottish Life Assurance 7½% Un Ln 1997/2002 3¾pc
Southern Elect. 10¼% Bds 2002 5⅛pc
Tor Inv. Tst. 4¼% Cm. Pf. 1.6625p
Do. 6% Cm. Pf. 2.1p
Union Discount Co. of London 2p
Warner Estate Hldgs 6.75p
YRM 1.65p

■ SATURDAY MARCH 28
Nationwide Bldg. Society 11¼% Nts. 1997 5⅝pc.
St. David's Inv. Tst. 3p

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS | SWEDEN (continued) | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | ITALY | NORWAY | SPAIN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA (continued) | HONG KONG | AUSTRALIA | MALAYSIA | SINGAPORE

CANADA

TORONTO

4:00 pm prices March 20

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
9600	CnPcForest	$26	25¾	25⅞	+⅛
100000	Cara Op	$5½	5½	5⅝	
4000	Cascades	$7½	7½	7½	+⅛
2000	Celanese x	$45	45	45	−1
7000	Cntrl Cap	30	d25	30	+5
19700	Cinepx Odn	395	386	385	−10
4000	Cntrl Fd A	450	450	450	−5
71100	Cominco	$20½	20¼	20¼	
500	Coputalog	72	72	72	
4100	Jannock	$17⅛	16⅞	16⅞	−⅛
400	KerrAddis	$16¼	16	16¼	
18500	Labatt	$25¾	25½	25¾	+⅛
191600	Lac Minls	$7⅛	7⅛	7⅛	+⅛
400	Lafarge	$18	18	17¾	
38000	Laidlaw A	$12⅛	12	12⅛	+⅛
576000	Laidlaw B	$12⅛	12	12⅛	+⅛
6500	Laurent Bk	$19	d19	19	
400	Reed Stan	$25	25	25	
400	Reitman S	$18	18	18	
175200	Ren'ssance	$12⅝	12⅝	12⅝	+⅛
257700	Repap Ent	480	450	480	+30
500	Rio Algom	$18⅛	18⅛	18⅛	
164300	RogersComB	$13	12⅞	12⅞	−⅛
100	Rothmans	$95	94	95	
401700	RoyalBkCan	$25⅜	25¼	25¼	−⅛
8000	Ryl Oak Mn	167	162	163	+1

MONTREAL

4:00 pm prices March 20

Sales	Stock	High	Low	Close	Chng
93300	NatBk Can x	$11⅛	d11¼	11¼	−⅛
3800	Provigo x	$8⅞	8¾	8⅞	+⅛
1100	Quebecor A	$13¼	12⅞	13¼	+⅛
14300	Teleglobe x	$12¼	12⅛	12¼	+⅛
13300	Videotron	$17⅛	16⅞	17⅛	+⅛

Total Sales 15,325,500 shares

INDICES

NEW YORK

DOW JONES	Mar 20	Mar 19	Mar 18	Mar 17	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3276.39	3261.40	3254.25	3256.04	3290.25 (3/3)	3172.41 (2/1)	3290.25 (3/3/92)	41.22 (2/7/32)
Home Bonds	98.41	98.68	98.55	98.50	99.81 (6/2)	98.41 (20/3)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1433.67	1420.79	1401.72	1408.82	1467.68 (20/2)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	206.12	205.12	204.62	204.87	225.59 (3/1)	202.56 (6/3)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3292.49 (3286.23) Low 3240.83 (3240.38)

STANDARD AND POOR'S

	Mar 20	Mar 19	Mar 18	Mar 17	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	411.50	409.80	409.15	409.58	420.77 (15/1)	403.89 (12/3)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	489.15	487.84	487.39	487.93	499.27 (15/1)	480.59 (12/3)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.90	34.60	34.44	34.32	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	226.96	226.25	225.94	226.01	231.85 (15/1)	223.30 (12/3)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	402.03	402.17	400.97	405.64	418.99 (12/2)	395.51 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	624.28	625.96	624.94	623.27	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Mar 13	Mar 6	Feb 28	year ago (approx.)
Dow Industrial Div. Yield	2.84	2.84	2.79	3.42

	Mar 18	Mar 11	Mar 4	year ago (approx.)
S & P Industrial div. yield	2.61	2.64	2.61	2.88
S & P Indl. P/E ratio	28.91	28.51	28.61	17.95

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Am T & T	5,295,600	40½	+ ⅝
Glaxo	3,251,000	26¼	+ ½
RJR Nabisco	3,170,500	9⅞	..
Ford Motor	2,846,800	40⅜	+ ⅛
Exxon	2,843,200	54⅞	- ⅛
Gen Motors	2,741,100	39⅛	+ ⅛
Bank Amer	2,594,900	45	+ 1
Citicorp	2,398,600	17⅝	+ ⅛
Philip Morris	2,287,800	77⅛	+ ½
Placer Don	2,185,100	9½	- ¼

TRADING ACTIVITY

† Volume Millions	Mar 20	Mar 19	Mar 18
New York SE	246.710	197.240	190.800
Amex	17.125	23.415	28.357
NASDAQ	(u)	189.966	179.271
NYSE			
Issues Traded	2,243	2,221	2,230
Rises	927	914	907
Falls	775	774	803
Unchanged	541	533	520
New Highs	92	85	61
New Lows	30	31	26

CANADA

TORONTO	Mar 20	Mar 19	Mar 18	Mar 17	1992 HIGH	1992 LOW
Metals & Minerals	3001.26	2994.50	2986.63	2968.93	3238.87 (16/1)	2935.22 (2/1)
Composite	3469.95	3466.73	3451.86	3439.84	3666.00 (16/1)	3439.84 (17/3)
MONTREAL Portfolio	1808.08	1806.53	1798.39	1800.33	1937.59 (16/1)	1798.39 (18/3)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar 20	Mar 19	Mar 18	Mar 17	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1584.1	1571.4	1568.0	1578.9	1673.60 (15/1)	1568.00 (18/3)
All Mining (1/1/80)	687.1	681.3	685.2	695.3	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	437.77	439.62	439.98	435.83	685.20 (18/3)	372.24 (2/1)
Traded Index (2/1/91)	1046.46	1050.27	1052.35	1040.63	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1200.89	1204.54	1208.26	1209.76	1234.72 (3/3)	1097.25 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	338.73	338.69	338.84	338.50	365.29 (15/1)	338.50 (17/3)
FINLAND						
HEX General (28/12/90)	861.6	863.0	856.1	853.0	935.90 (24/2)	779.00 (2/1)
FRANCE						
CAC General (31/12/82)	520.30	522.36	524.45	522.71	534.00 (11/3)	475.53 (2/1)
CAC 40 (31/12/87)	1919.12	1921.99	1928.18	1943.59	1993.88 (10/3)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	704.44	700.79	704.45	702.27	715.44 (3/3)	643.26 (8/1)
Commerzbank (1/12/53)	1992.9	1982.5	1993.9	1988.0	2026.70 (3/3)	1813.80 (8/1)
DAX (30/12/87)	1736.30	1724.63†	1732.18	1730.07	1764.80 (5/3)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5015.81	4990.59	5036.07	5045.39	5071.19 (13/3)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1398.22	1395.66	1397.86	(c)	1469.57 (17/1)	1391.49 (8/1)
ITALY						
Banca Com. Ital. (1972)	511.79	514.34	510.09	503.28	551.59 (6/2)	503.28 (17/3)
MIB General (2/1/87)	1008.0	1012.0	1007.0	992.0	1086.00 (5/2)	981.00 (2/1)
JAPAN						
Nikkei (16/5/49)	(c)	20185.09	19764.31	19917.63	23801.18 (6/1)	19764.31 (18/3)
Tokyo SE (Topix) (4/1/68)	(c)	1451.14	1407.78	1433.87	1763.43 (6/1)	1407.78 (18/3)
2nd Section (4/1/68)	(c)	2126.35	2115.93	2160.83	2459.85 (6/1)	2115.93 (18/3)
MALAYSIA						
KLSE Composite (4/4/86)	603.19	597.96	600.40	594.49	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tr Rtn Gen (End 1983)	293.2	292.9	292.6	292.4	295.10 (4/3)	274.00 (8/1)
CBS All Shr (End 1983)	205.9	205.7	205.5	205.3	4379.00 (17/3)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	719.65	713.60	713.63	701.45	748.03 (17/1)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1120.17	1105.07	1101.27	1083.01	1303.30 (17/1)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	387.34	386.83	386.71	387.93	416.99 (21/1)	384.78 (9/3)
SOUTH AFRICA						
JSE Gold (28/9/78)	1129.0	1126.0	1167.0	1165.0	1327.00 (21/1)	1119.00 (2/1)
JSE Industrial (28/9/78)	4411.0	4409.0	4447.0	4385.0	4535.00 (15/1)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	615.39	612.67	614.36	615.19	691.48 (8/2)	604.63 (15/1)
SPAIN						
Madrid SE (30/12/85)	258.38	(c)	258.53	259.22	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1009.7	1007.70	1002.50	988.70	1009.70 (20/3)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	815.8	813.0	808.6	807.5	817.50 (4/3)	748.50 (8/1)
SBC General (1/4/87)	645.8	644.7	640.9	639.4	650.10 (3/3)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4818.18	4810.23	4851.95	4890.32	5391.63 (30/1)	4692.17 (6/1)
THAILAND						
Bangok SET (30/4/75)	814.39	811.78	808.49	795.76	816.50 (17/2)	711.81 (3/1)
WORLD						
M S. Capital Intl (1/1/70) ($)	492.2*	493.9	491.8	492.0	542.10 (7/1)	490.20 (16/3)
Euro Top-100 (26/6/90)	922.48	923.09	922.82	923.17	943.20 (3/3)	870.31 (2/1)

**Saturday March 14: Taiwan Weighted Price: 5029.61. Korea Comp Ex 609.45

‡ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500, (c) Closed (u) Unavailable.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Balanced	5	264.10	264.10	278.00	3.72	40795
Do (Accum)	5	554.10	554.10	583.30	3.72	40796
Cont Europe Grth	5	42.46	42.46	44.70	1.84	41797
Do (Accum)	5	44.37	44.37	46.71	1.84	41798
Extra Income	5	198.50	202.00	212.70	5.43	40801
Do (Accum)	5	462.80	471.10	495.90	5.43	40802
German Growth	5	91.59	91.59	96.42	0.40	40803
Do (Accum)	5	95.47	95.47	100.50	0.40	40804
Income	5	373.40	380.00	400.00	4.93	40805
Do (Accum)	5	910.50	926.60	975.40	4.93	40806
Japan Growth	6	67.20	67.20	71.49	0.02	40809
Do (Accum)	6	67.44	67.44	71.75	0.02	40810
Master Trust	5	44.29	44.29	46.60	2.74	40811
Do (Accum)	5	47.13	47.13	49.60	2.74	40812
N American & Gen	6	160.30	160.30	170.60	0.50	40813
Do (Accum)	6	184.80	184.80	196.60	0.50	40814
N Am Sm Cos & Rec	5	114.30	116.00	122.20	0.01	40815
Do (Accum)	5	116.70	118.40	124.70	0.01	40816
Pacific Basin	6	156.70	158.20xd	168.30	0.53	40817
Do (Accum)	6	164.80	166.40	177.10	0.53	40818
Small Cos & Recy	5	258.70	267.00	281.10	2.60	40819
Do (Accum)	5	325.60	336.00	353.70	2.60	40820
UK Equity Grth	6	110.20	110.20	117.30	3.74	47792
UK Equity Inc	6	87.27	87.27	92.85	5.56	46783
UK Growth	5	70.41	70.41	74.12	3.42	40821
Do (Accum)	5	79.97	79.97	84.18	3.42	40822
Worldwide Grth	5	222.80	222.80	234.60	0.98	40823
Do (Accum)	5	326.50	326.50	343.70	0.98	40824

London & Manchester Tst Mgmt (1000)H
Winslade Park, Exeter EX5 1DS 0392 282673

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American	6	48.26	48.53	52.07	0.9	40828
General	6	64.70	65.17	69.92	3.9	40829
Income	6	47.37	48.54xd	52.08	7.1	40830
International	6	44.59	45.09	48.38	1.6	40831
Japan	6	32.79	33.12	35.54	0.0	40832
Tst of Inv Trusts	6	41.64	42.42	45.52	2.6	40833

M & G Securities (0915)H
Three Quays, Tower Hill EC3R 6BQ
Cust Services 071-626 4588 Unit Dealing 0245 266266

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Amer & General	5	314.44	314.5	332.4	0.76	40834
(Accum Units)	5	386.41	386.5	408.5	0.76	40835
Amer Recovery	5	308.49	308.3	326.0	0.71	40836
(Accum Units)	5	349.16	351.3	371.4	0.71	40837
Amer Smllr Cos	5	96.58	96.60	102.2	-	40838
(Accum Units)	5	98.67	98.70	104.4	-	40839
Australasian	5	108.18	108.2xd	114.4	1.45	40840
(Accum Units)	5	127.97	128.0	135.3	1.45	40841
Capital	5	488.75	488.8xd	516.9	4.51	40102
(Accum Units)	5	522.86	522.9	552.9	4.51	40099
Charifund	1	476.31	486.1	491.0	7.42	40885
(Accum Units)	1	1839.3	1877.3	1896.1	7.42	46916
Commodity	5	229.44	229.5xd	242.7	2.32	40842
(Accum Units)	5	329.53	329.6	348.6	2.32	40843
Compound Growth	5	635.94	636.0	672.6	4.41	40844
Dividend	5	26.23	26.40	28.30	6.33	40847
(Accum Units)	5	97.31	98.10	105.0	6.33	40848
Equity Income	5	218.37	218.4xd	231.0	7.72	40846
(Accum Units)	5	246.28	246.3	260.5	7.72	41496
European	5	327.61	328.4	349.7	1.42	40849
(Accum Units)	5	405.45	406.4	432.8	1.42	40850
European Dividend	5	48.28	48.50	51.60	5.29	47788
(Accum Units)	5	52.43	52.60	56.00	5.29	47789
Extra Yield	5	278.29	281.8xd	301.5	7.13	40851
(Accum Units)	5	773.06	781.1	835.7	7.13	40852
Far Eastern	5	203.37	203.4xd	215.1	0.81	40853
(Accum Units)	5	264.05	264.1	279.3	0.81	40854
Fund of Inv Tsts	5	380.06	380.1	402.0	2.97	40855
(Accum Units)	5	670.62	670.7	709.3	2.97	40856
General	5	43.37	43.40	45.90	5.13	40857
(Accum Units)	5	109.88	109.9	116.3	5.13	40858
Gilt Income	5	56.99	57.00xd	59.90	9.05	40859
(Accum Units)	5	130.28	130.4	137.0	9.05	40860
Gold	5	34.90	35.40	37.70	1.99	40861
(Accum Units)	5	40.27	40.90	43.50	1.99	40862
High Income	5	19.05	19.10	20.20	6.87	40863
(Accum Units)	5	66.74	66.80	70.70	6.87	40864
Intl Growth	5	54.30	54.30	57.80	1.1	40865
(Accum Units)	5	92.73	92.80	98.70	1.1	40866
International Inc	5	71.60	72.20	76.40	5.81	40867
(Accum Units)	5	93.62	94.40	99.90	5.81	40868
Japan & Gen	5	33.32	33.40	35.30	-	40869
(Accum Units)	5	35.75	35.90	37.90	-	40870
Japan Smaller Cos	5	99.55	99.60	105.3	-	40871
(Accum Units)	5	100.25	100.3	106.0	-	40872
Midland	5	42.35	42.40	44.80	5.93	40873
(Accum Units)	5	127.62	127.7	135.0	5.93	40874
Pension Ex	2	694.17	707.0	724.7	6.08	40886
Recovery	5	26.25	26.80	28.90	4.95	40875
(Accum Units)	5	40.07	40.90	43.50	4.95	40876
Second General	5	45.99	46.00	48.60	5.17	40877
(Accum Units)	5	108.27	108.3	114.5	5.17	40878
Smaller Cos	5	47.37	47.70xd	51.00	4.89	40879
(Accum Units)	5	86.58	87.10	93.10	4.89	40880
Trustee	5	29.97	30.00	31.70	5.18	40881
(Accum Units)	5	107.26	107.3	113.4	5.18	40882

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing 0277 261010 Enq 0903 204631

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
High Income	5	221.8	224.3	238.6	6.82	40887
(Accum Units)	5	359.8	363.9	387.1	6.82	46412
UK Growth	5	276.1	279.0	296.8	4.77	40888
(Accum Units)	5	333.3	336.9	358.4	4.77	46429
Intl Equity Gth ♣	5	48.25	48.46	51.55	1.05	40889
Intl Bond	5	54.35	54.35	57.07	8.02	40890
Special Sits Gwth	5	14.47	15.03xd	15.98	4.26	40891
North American Gwth	5	73.29	73.68xd	78.38	0.82	40892
European Growth ♣	6	51.84	52.09	55.41	1.53	40104

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
MW Joint Investors	0	1091.0	1091.0	1116.1	4.33	40585

Maldon Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Maldon General	0	102.6	102.6xd	105.7	5.31	44659

Manulife Management Ltd (1200)F
St George's Way, Stevenage Dealings 071-256 5858

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Growth Units	5¼	128.8	129.8	138.8	3.83	40905
Gilt & Fxd Int	5	149.9	149.9xd	158.9	8.18	40904
Intl Growth	5¼	145.5	145.5	155.9	0.59	40908
North American ♥	5¼	111.5	111.5	119.8	0.73	40910
Far East	5¼	132.4	132.4	141.3	1.06	40911
UK Smaller Cos	5¼	102.8	102.8	109.9	2.50	40909
European	5¼	54.04	54.04	57.65	0.91	43912
Japanese Growth	5¼	29.38	29.38xd	31.38	0.00	47786
Managed P'folio	5¼	48.29	48.29	51.73	1.71	47787
High Income	5¼	131.6	133.0xd	142.2	6.35	40906

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9GG 0244 680066

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
M & S Inv P'folio	5¼	109.8	110.2	117.8	3.09	46595
Do Accum	5¼	119.3	119.6	127.9	3.09	46596
UK Sel P'folio	5¼	90.76	91.61	97.97	4.40	47304
Do Accum	5¼	98.25	99.11	106.0	4.40	47305

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
(Accum Units)	6	123.1	123.1	131.7	2.63	40980
Meridian Growth	6	120.9	120.9	129.3	1.56	46225
Meridian Income	6	91.45	91.45	97.81	3.87	46224
(Accum Units)	6	103.2	103.2	110.4	3.87	46677
Midland Personal Pension Unit Trust *						
British	6	71.20	72.22	76.83	3.22	46496
European Growth	6	67.74	67.80	72.13	1.13	46497
Gilt & Fixed	6	63.80	63.87	67.73	8.85	46498
Income	6	58.93	60.11	63.95	5.34	46499
Japan Growth	6	32.72	32.89	34.99	0.00	46500
Managed	6	53.79	54.54	58.02	2.22	46504
Money Market	6	73.06	73.06	77.45	9.54	46501
North American	6	64.02	64.65	68.78	1.38	46503
Midland FSAVCS Unit Trust *						
British	6	65.00	65.92	70.13	3.18	46912
European Growth	6	63.93	63.99	68.07	1.14	46651
Gilt & Fixed Int	6	60.76	60.76	64.50	8.85	46652
Income	6	57.80	58.96	62.72	5.35	46653
Japan Growth	6	32.87	33.04	35.15	0.00	46913
Managed	6	51.47	52.18	55.51	2.22	46654
Money Market	6	67.72	67.72	71.78	9.53	46414
North American	6	60.71	61.26	65.17	1.43	46415
Midland Executive Pension Unit Trust *						
British	6	65.88	66.83	71.10	3.23	46909
European Growth	6	62.64	62.70	66.70	1.14	46910
Gilt & Fixed Int	6	58.26	58.26	61.85	8.88	46646
Income	6	58.05	59.23	63.01	5.35	46647
Japan Growth	6	33.50	33.67	35.82	0.00	46648
Managed	6	54.74	55.51	59.05	2.73	46650
Money Market	6	65.38	65.38	69.31	9.56	46911
North American	6	65.00	65.60	69.79	1.41	46649

* On a switch, units will be issued at bid price

Millennium Fund Management Ltd (1000)F
1 White Hart Yard, London Bridge, SE1 071-407 5966

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
International	6	9.89	9.89	10.62	0.00	47284

For MIM Britannia see INVESCO MIM

Morgan Grenfell Invest Fds Ltd (1000)H
20 Finsbury Circus London EC2M 1UT
Dealers 071-826 0926 Enquiries 071-826 0123

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American Gwth	5¼	210.0	210.0	224.6	0.56	41048
European Gth Inc	5¼	210.0	210.0	224.9	0.00	46484
European Gth Acc	5¼	210.6	210.6	225.6	0.00	41049
Intl Gwth	5¼	135.8	136.8	145.2	0.00	41050
UK Equity Inc	5¼	110.3	110.3	118.8	4.70	41046
UK Equity Acc	5¼	127.2	127.2	137.0	4.70	41047
UK Ind Tracker Inc	5	118.7	118.7xd	126.8	3.90	46656
UK Ind Tracker Acc	5	130.6	130.6xd	139.5	3.90	46655
US Eq Ind Tracker Inc	5	152.4	152.4xd	163.4	2.87	46658
US Eq Ind Tracker Acc	5	159.2	159.2xd	170.7	2.87	46657
Japan Tracker	5	50.07	50.07	53.16	0.00	46921
Asian Trader	5¼	95.32	95.32	102.8	1.51	40109
Managed Inc	5¼	100.2	100.2	107.8	1.92	46922
Managed Acc	5¼	102.8	102.8	110.6	1.92	46923
Cash Inc	0	100.24	100.24xd	100.24	10.50	44556
Cash Acc	0	114.85	114.85xd	114.85	10.50	44555
Europa	5¼	107.7	107.7xd	116.0	0.00	43122
Genesis	5	103.8	103.8	110.7	0.00	44479

For Geoffrey Morley see Commercial Union

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Acumen	1	69.14	69.14	71.16	4.56	46327
Acumen Reserve	1	66.88	66.88	67.54	9.06	46328
American Income	1	139.50	139.50xd	142.20	3.60	41056
Equity Income	1	76.60	76.60xd	78.98	6.49	41057
European	1	56.77	56.77	58.29	1.38	41058
Far Eastern	1	109.20	109.20	112.90	1.17	41059
Smaller Cos	1	48.06	48.06	50.13	2.05	41060
Olympiad	1	45.38	45.38xd	46.36	0.79	41061
Olympiad Income	1	43.59	43.59xd	44.70	6.47	41062
UK Growth	1	72.01	72.01	74.94	1.74	41063

NFU Mutual Unit Mngrs Ltd (1400)F
Admin. 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Arge Equity	6	89.39	90.99	96.80	3.72	41071

NM Unit Trust Mngrs (1200)F
The Britain Centre, North Harbour, Portsmouth
Enquiries 0705 372222 Dealing 0705 387730

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American ♥	5¼	36.02	36.02	38.42	1.04	41072
(Accum Units) ♥	5¼	39.01	39.01	41.61	1.04	41073
Australian ♥	5¼	206.50	206.50xd	221.50	0.09	41074
(Accum Units) ♥	5¼	233.50	233.50	250.50	0.09	41075
Conservative	5¼	53.46	53.46	57.05	1.98	41076
(Accum Units)	5¼	56.73	56.73	60.54	1.98	41077
European	5¼	147.00	147.00	156.80	0.96	41078
(Accum Units)	5¼	156.20	156.20	166.60	0.96	41079
Extra Income	5¼	60.15	60.15xd	64.19	7.03	41080
(Accum Units)	5¼	86.06	86.06	91.84	7.03	41081
Far East Gth Acc	5¼	104.90	104.90	112.10	0.00	41082
Gilt & F I	5¼	51.75	51.75xd	54.77	8.33	41083
(Accum Units)	5¼	115.50	115.50	122.10	8.33	41084
Gold ♥	5¼	27.29	27.29	29.34	0.00	41085
(Accum Units) ♥	5¼	29.39	29.39	31.60	0.00	41086
Income	5¼	42.52	42.52	45.35	6.02	41087
(Accum Units)	5¼	121.90	121.90	130.00	6.02	41088
Intl	5¼	24.17	24.17	25.93	1.12	41089
(Accum Units)	5¼	34.48	34.48	36.99	1.12	41090
Jap Smaller Cos	5¼	254.40	254.40	271.30	0.00	41091
Sing & Malaysia	5¼	105.90	105.90	113.50	0.00	41092
(Accum Units)	5¼	110.10	110.10	118.00	0.00	41093
Smaller Cos	5¼	22.06	22.05	23.70	3.16	41094
(Accum Units)	5¼	25.01	25.01	26.89	3.16	41095
Special Sits	5¼	26.13	26.13	28.09	2.92	41096
(Accum Units)	5¼	29.34	29.34	31.54	2.92	41097
Tokyo	5¼	55.42	55.42xd	59.11	0.00	41098
(Accum Units)	5¼	55.98	55.98	59.71	0.00	41099
UK Equity	5¼	133.50	133.50	142.40	4.17	41100
(Accum Units)	5¼	241.70	241.70	257.80	4.17	41101
US Smaller Cos ♥	5¼	72.52	72.52	77.96	0.00	41102

N&P Unit Trust Management Ltd (1200)F
55 Fountain St, Manchester M2 2AF 061 237 5322

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
N&P UK Growth	5	56.17	56.50	60.11	3.82	40706
N&P UK Income	5	79.23	80.23	85.81	5.69	40707
N&P Gilt & Fixed Int	5	64.32	64.32xd	68.07	8.54	40708
N&P Higher Income	5	139.60	139.60	148.20	6.95	40709
N&P Smaller Cos	5	55.26	56.97xd	60.94	2.80	46300
N&P International	5	72.82	72.82	77.95	2.68	40710

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
NPI American Acc ♥	5	85.34	85.76	91.23	0.49	41103
NPI American Dist ♥	5	79.10	79.49	84.56	0.49	46660
NPI European Acc	5	72.88	73.48	78.17	0.24	41104
NPI European Dist	5	70.72	71.31	75.86	0.24	46661
NPI Far East Acc ♥	5	104.3	104.9	111.6	0.64	41105
NPI Far East Dist ♥	5	102.8	103.4xd	110.0	0.64	46662
NPI Global Dist	5¼	52.35	52.65xd	56.31	2.64	41935
NPI O'seas Acc	5	918.4	923.3	982.2	0.95	41107
NPI O'seas Dist	5	710.3	714.1xd	759.7	0.95	41106

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The maximum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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Unit Name	Init Chrgs	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq Edinburgh 031-226 3271						
American ♥	5	301 8	301 8	321 6	0 69	41416
(Accum Units) ♥	5	355 2	355 2	379 5	0 69	41411
British	5	772 2	786 2xd	831 9	6 22	41416
(Accum Units)	5	1295 0	1318.5	1395 1	6 22	41417
European	5	340 4	340.4	361 5	1 38	41418
(Accum Units)	5	369 0	369 0	391 9	1 38	41419
Japan	5	99 15	99 15	105 5	–	41420
(Accum Units)	5	99 94	99 94	106 3	–	41421
New Pacific	5	199.4	199 4	212 3	1 61	46385
(Accum Units)	5	204 8	204 8	218 0	1 61	47994
PEP Mar 18	5	145 3	147 1	155 5	3 58	47568
Mngd Equity	5	123 8	125 2	132 5	2 84	47586
Mngd Equity Acc	5	131 4	132 8	140 6	2 84	40556
Mngd Cash	0	96 96	96 96	96 96	10 23	47585
(Accum Units)	0	119 6	119 6	119 6	10 23	40267
Majority Stlg	1	100 93	100 93	101 94	9 98	42703
Majority Stlg Acc	1	109 91	109 91	111 01	9 98	46639
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin 5 Rayleigh Rd, Hutton, Brentwood Essex						
Enquiries 0277 227300 Dealing 0277 261010						
International Mar 13	0	51 10	51 10	51.56	3 13	46906
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court Horsham 0403 232323						
Equity	6	586 4	594.3	635 6	3 21	41423
North America	6	89.03	89 03	95.22	0 30	41424
Far East	6	87 59	87 59	93 70	0 80	41425
W'wide Bond	6	49 07	49 07	52 20	6 25	41428
European	6	68 99	68 99	73 79	1 59	41429
Equity Income	6	64 03	64 03	68 48	6 07	41430
Portfolio	6	58 26	58 26	62 31	2 49	41431
Broker Trusts						
Worldwide Growth	6	47 00	47 00	50 00	2 23	46775
Sun Life of Canada Unit Mgrs Ltd (1000)H						

M & G Securities Ltd

	Bid Price
Charibond Mar 19	102 0[illegible]
(Accum Units)	627 8[illegible]
NAACIF Mar 17	40 00

Morgan Grenfell Investment Funds Ltd

Exempt Funds

	Bid Price
UK Equity Mar 17	125 6
UK Small Co Mar 17	519 8
Fixed Interest Mar 17	110 7
US Small Co Mar 17	181 8
Managed Mar 17	106 9
Intl Bond Mar 17	121 4
Japan Mar 17	61 23
European Mar 17	91 81
Nth American Mar 17	122 4

Murray Johnstone UT Mngmt

Murray Exempt Funds

	Bid Price
Amer Expt Mar 18	56 82
Euro Expt Mar 18	54 26
Fixed Int Ex Mar 18	46 99
Japan Expt Mar 18	37 68
Managed Ex Mar 19	44 01
SE Asia Expt Mar 18	77 89
Sm Cos Expt Mar 18	35 73
UK Eqty Ex Mar 18	42 39

Phillips & Drew Fund Management Ltd

	Bid Price
Small Co's Mar 4	695 08
Do Accum	794 71
Int Expt Mar 19	188 39
UK Index Mar 4	1135.34
Do Accum	1315.24
Convertible Mar 16	95 18
Warburg UK Index Mar 17	771 30
Do Accum	771 30

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Life Insurance Soc.—Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Presinvestor* & Unit-Linked Plan*				
Mixed Fund	437 9	460 9	–	43233
Ordinary Share Fund	656.0	690.5	–	43229
International Fund	171.5	180.5	–	43230
Property Fund	259.3	272.9	–	43231
Fixed Interest Fund	390.1	410 6	–	43227
Index-Linked Sec Fund	189.1	199.1	–	43228
Deposit Fund	278 0	292 6	–	43252
Norwich Units Feb 14	1048 63		–	43234

*Prices as at March 17

	Bid Price	Offer Price	Yield Gross	City-line
Jersey Investment Plan				
With Profits Fund	122 73	129 10	–	40585
Intl Equity Fund	94 34	99.30	–	40438
Intl Bond Fund	121.40	127.79	–	40349

Norwich Union Pensions Management Ltd
Surrey Street, Norwich, NR1 3NG 0603 683335

	Bid Price	Offer Price	Yield Gross	City-line
Group Pooled Pensions				
Balanced Managed Fd	313.47	318.75	–	44391
Growth Managed Fd	104 06	105 91	–	44395
Sentinel Managed Fd.	103 29	104.72	–	44399

Prices as at March 19

Pearl Assurance (Unit Funds) Ltd
Thorpe Wood, Peterborough PE3 6SA 0733 63212

	Bid Price	Offer Price	Yield Gross	City-line
Prop. Dist (Gross)	134 0	141.1	–	43235
Prop Acc (Gross)	255 4	268 9	–	43236
Equity (Gross)	847.6	892.2	–	43237
Managed (Gross)	594 0	625.2	–	43238
Prop Acc (Net)	121.9	128 3	–	43239
Equity (Net)	196 9	207.2	–	43240
Managed (Net)	183.3	192.9	–	43241
Internat'nal (net)	168 4	177.3	–	43242
Gilt & Fxd Interest	131 6	138.6	–	43243
Money Fund	137.3	144.5	–	43244
Mixed Fund (Cap)	115 4	121.5	–	46550
Mixed Fund (Acc)	118.8	125 1	–	46548
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	648.5	682.7	–	43245
Ret Man (Series 2)	219.9	231.5	–	43246
Ret Cash	192.0	202.1	–	43247
Pens Mixed Fd (Cap)	128.3	134 9	–	46559
Pens Mixed Fd (Acc)	131.8	138.8	–	46558
Pens Stlg Fd (Cap)	101.7	107.1	–	46561
Pens Stlg Fd (Acc)	104 7	110.3	–	46560

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Life Assurance Ltd

Providence Capital Life Assur. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provident Mutual Life Asse. Assn.—Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Fixed Interest Ord	217.5	228 9	–	43494
Fixed Interest Init.	160.1	168.5	–	43495
Deposit Ord	183.4	193.1	–	43496
Deposit Init.	135.1	142.2	–	43497
Pension Funds				
Managed Ord	453 8	477.7	–	43498
Managed Init.	334.1	351.7	–	43499
Equity Ord	680.4	716.2	–	43500
Equity Init.	501.0	527 4	–	43501
Pen Ind Lkd Gilt Ord.	178 7	188.1	–	43502
Pen Ind Lkd Gilt Init.	137.4	144 6	–	43503
Overseas Equity Ord	320.7	337.6	–	43504
Overseas Equity Init.	236 1	248.5	–	43505
Property Ord	279.0	293.7	–	43506
Property Init.	205 4	216.2	–	43507
Fixed Interest Ord	275.1	289 6	–	43508
Fixed Interest Init.	202.5	213.2	–	43509
Deposit Ord	261 6	275 4	–	43510
Deposit Init.	192.6	202.7	–	43511

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	Yield Gross	City-line
Prufund				
Managed Mar 11	255.0	265 7	–	43612

Prudential Corporate Pension Funds
1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	Yield Gross	City-line
Prudential Managed Funds				
Discretionary Mar 12	£181.11	186.66	–	43539
Equity Mar 12	£204.16	211 11	–	43540
International Mar 12	£28.03	28 61	–	43541
Intl Bond Mar 12	£14.65	14 84	–	43542
Fixed Int Mar 12	£99.33	100.46	–	43543
Index Linked Mar 12	£71.69	72.60	–	43544
Property Mar 12	£106.80	112.92	–	43545
Cash Mar 12	£29.9688	29.9688	–	43546
Pru-Linked Retirement Plan				
Managed Mar 17	437.8	456.1	–	43547
Cash Mar 17	275.9	287.4	–	43548
Prudential Pensions Investment Account				
Pens Mixed Mar 20	174 5	187.7	–	43549
Pens UK EQ Mar 20	302.8	326.5	–	43550
Pens Intl Mar 20	201.5	216 4	–	43551
Pens Global Eqy Mar 20	97 9	103.1	–	40528
Pens Fixed Mar 20	224.7	237.3	–	43552
Pens Index Lk Mar 20	185.5	195.7	–	43553

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh

Scottish Life Investments
19 St Andrew Square, Edinburgh

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Sun Life of Canada (UK) Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

Target Life Assurance Group

Teachers' Assurance Company Ltd

TSB Life Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

Canada Life Assurance Co

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Fiducia International Ltd

Hafnia Prolific International

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife société anonyme

Premium Life International Ltd

Providence Capital International Ltd

Providence Capital International Ltd — Contd.

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Bain Clarkson Asset Management

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

ECU Futures Plc

Fairmount Financial Services Ltd

IPS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macartney & Dewis Invest Mngt Plc

Northam Binge & Partners

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Roxborough Financial Management Ltd

Sharp (Albert E) & Co

Sitsala Fund Managers Limited

South Yorks Financial Planning

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Newport Investment Management

John Govett Mngmt International Ltd

Hambros Fund Managers (CI) Ltd

Orion Fund Limited

CANADA (SIB RECOGNISED)

GBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Grofund Inv Managers (Guernsey) Ltd

Adams & Neville Fd Mngmt (Guernsey) Ltd

Barings Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Rothschild Asset Management—Contd.

Royal Bank of Canada Funds

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Dartmoor Management (Guernsey) Ltd

Hauteville Fund Management (Guernsey) Ltd

Havelet Throgmorton Mngmt Ltd

Henderson Admin. (Guernsey)

Holborn Fund Management (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Kleinwort Benson Islamic Fd Mgmt Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Stonehage Fund Mngrs Ltd

U.S. Treasury Securities Fund Ltd

Rudolf Wolff Capital Management Ltd

Yamaichi Capital Mngmnt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

Hafnia Prolific International Mngmt Ltd

MI Global Asset Mngmt Co Ltd

Morgan Grenfell Investment Funds Ltd

Swiss Life Investment Fund

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

Baring Mutual Fund Mngmt (Ireland) Ltd

Federated International Funds Plc

Sanwa International (Ireland) Plc

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)

Asset Global Funds Ltd

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	Bid Price	Offer Price	Yield Gross	City-line
CMI Fund Managers (IoM)				
Clerical Medical Hse, Douglas, IoM 0624 625599				
High Income 5	£1.4833	0.4833	0.5141	10.3 44720
CMI Core Portfolio Fund				
UK 5	£– 0.9925	1.0521	–	47540
USA 5	£– 1.0979	1.1643	–	47541
Japan 5	£– 0.5390	0.5479	–	47539
Equity & Law Intl Fund Mngrs Ltd				
Victory Hse, Prospect Hill, Douglas IoM 0624 677877				
Total Income Fd 5	96.15	95.39	100.39	10.2 41500
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas IoM 0624 627610				
Intl Gwth 5½	494.0	494.0	529.31	0.9 45095
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 52 Athol St Douglas IoM 0624 661020				
LJ International 5½	94.37	94.37	101.56	– 48304
Mercury Fund Managers IoM Ltd				
11 Hill Street, Douglas IoM 0624 662255				
Merc IoM Fund 5	102.9	102.9	109.8	7.6 45970
Merc Intl Bond 5	54.06	54.06	56.81	8.8 45971
Sun Life Management (IoM) Ltd				
PO Box 178, Douglas, IoM 0624 622444				
Secure High Income 6	£1.0171	1.0171	1.0925	10.2 47486
Unibank Scandinavian Fund Ltd				
23 Bucks Road, Douglas, IoM 06246 26484				
Scandinavia Fd 5	–	141.65	151.03	1.0 45223

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-line
CMI Fund Mngrs (IOM)				
Traders Fund Ltd H	$17.31	18.71	–	46369
Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Britannia Comm & Minerals	60.0	72.0	0.00	47332
Britannia Gems & Jewellery	51.03	1.24	0.00	47333
Britannia Reserve Assets	104	104	2.67	47338
Duncan Lawrie Inv. Mgt. Ltd				
DL Sterling	129.?	136.2	4.7	44881
DL International	51.53	1.63	1.9	44882
Equity & Law International Fund Mgs Ltd				
European Equity	164.45	173.08	–	44904
Far Eastern Equity	$2.2232	2.3404	–	44905
North Amer Equity	$1.3022	1.9283	–	44906

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
EBC Trust Company (Jersey) Ltd						
EBC Amro Traded Currency Fund Ltd*						
Income	–	–	$15.38	15.851	4.06	44893
Capital			$23.63	24.349	5.50	44894
*Offer price includes 3% preliminary charge						
International Income Fund						
Europa Long Term			$32.51	33.9894	4.97	44892
* Offer Price includes 3½% Initial Charge						
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV Mar 19 C$12.68						
First Aust Prime Inc Inv Co Ltd NAV Mar 19 US$10.62						
NAV Diluted to reflect exercise of all Wrnts C$12.?? US$10.35						
Fidelity Investment (CI) Ltd						
Sterling American			£2.532	2.665	–	44979
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV.			DM16.53		–	45896
Foreign & Colonial Mngmt (Jersey) Ltd						
Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10.62		–	45005
Multicurrency Cash			$16.26		–	45006
Sterling Cash			£11.65		–	45007
US$ Bonds			$14.46		–	45008
Multicurrency Bonds			$19.11		–	45009
Sterling Bonds			£12.72		–	45010
D Mark Bonds			DM10.39		–	45011
Ecu Bonds			Ecu11.62		–	45013
UK Equities			£9.97		–	45014
US Equities			$16.28		–	45015
Japanese Equities			Y693		–	45016
Global Equities			$10.71		–	45017
John Govett Management (Jersey) Ltd						
Galyn's Emr Co NAV Mar 19			$10.66		–	47997
Galen Sodas Fd NAV Mar 20			38.58		–	47863
Paragon Fd NAV Feb 28			$10.38		–	47955
Paragon Redemption			$9.99		–	47106
Hong Kong Inv Co Feb 28			103.85		–	40573
For Holborn Fund Mngrs see Prudential Fund Mngrs						
INVESCO MIM International Limited						
All Funds deal daily except where indicated						
Sterling Denominated Income Funds						
American Equity Inc.			£1.549	1.662	3.01	45449
Japan Inc & Gwth			£1.254	1.345	2.25	45450
Sterling Denominated Growth Funds						
Capital Deposit			£35.69	35.70	–	45458

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

مكتبة مبارك العامة

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Dollar looks strong

THE DOLLAR and sterling will again be closely watched in the currency markets this week - although for different reasons.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The dollar surprisingly breached the DM1.68 barrier on Friday, after dealers had predicted a consolidative period for a couple of weeks would see it locked in a DM1.6350-DM1.6720 range.

Renewed dollar optimism could see it rise again this week, if the figures for durable goods orders on Tuesday, GDP on Thursday, and personal income and consumption on Friday are encouraging.

Although it has been largely priced in by the market, the dollar could draw longer-term support from a likely cut in the Bank of Japan's discount rate, expected imminently.

Dealers will be watching for sterling's reaction to yesterday's opinion polls, four out of five of which showed the opposition Labour party to be leading the conservatives ahead of the general election on April 9.

So far, sterling has held steady, with very little activity at all. Some buying interest whenever it nears its effective floor against the peseta has been enough to underpin it without Bank of England intervention.

Dealers say that this might be explained by the belief that, as both the Conservatives and Labour are committed to taking sterling into the narrow band of the ERM at a DM2.95 central rate, sterling has less to fear from an outright victory by either party than it does from a hung parliament and prolonged political uncertainty.

They warn that if this scenario looks likely, and domestic investors decide to sell sterling, foreign investors could follow suit. This could still see the UK currency being pushed down towards its absolute ERM floor of DM2.7780.

£ IN NEW YORK

Mar.20	Close	Previous Close
£ Spot	1.7125-1.7135	1.7109-1.7114
1 month	0.93-0.92pm	0.93-0.92pm
3 months	2.68-2.65pm	2.68-2.66pm
12 months	8.90-8.80pm	8.92-8.82pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar.20	Previous
8.30 am	89.8	89.9
9.00 am	89.8	89.8
10.00 am	89.8	89.8
11.00 am	89.8	89.8
Noon	89.9	89.8
1.00 pm	89.8	89.8
2.00 pm	89.8	89.8
3.00 pm	89.8	89.8
4.00 pm	89.8	89.8

CURRENCY MOVEMENTS

Mar 20	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.8	-21.6
U.S Dollar	65.9	-12.8
Canadian Dollar	100.7	-1.7
Austrian Schilling	109.8	+12.2
Belgian Franc	111.3	-1.9
Danish Krone	108.7	+2.9
D-Mark	118.2	+24.9
Swiss Franc	105.8	+14.2
Dutch Guilder	114.2	+16.2
French Franc	103.3	-12.7
Lira	98.6	-19.9
Yen	138.7	+72.8
Peseta	106.8	-18.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Mar.19

CURRENCY RATES

Mar 20	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.794552	0.714167
U.S Dollar	3.50	1.36520	1.23873
Canadian $	7.56	1.63373	1.45979
Austrian Sch	7.50	15.9797	14.3785
Belgian Franc	8.50	46.7103	42.0552
Danish Krone	9.50	8.81032	7.93147
D-Mark	8.00	2.26965	2.04319

OTHER CURRENCIES

Mar 20	£	$
Argentina	1.6895 - 1.6925	0.9915 - 0.9925
Australia	2.2445 - 2.2465	1.3150 - 1.3160
Brazil	3137.25 - 3139.45	1839.70 - 1839.90
Finland	7.7920 - 7.8050	4.5575 - 4.5625
Greece	327.900 - 333.150	192.310 - 195.390
Hong Kong	13.2000 - 13.2130	7.7440 - 7.7460
Iran	2475.00*	1432.50*

FINANCIAL TIMES STOCK INDICES

	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 13	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.06	86.10	86.20	86.40	86.13	86.36	88.55	82.17	127.4	49.18
Fixed Interest	99.20	99.42	99.49	99.50	99.62	99.83	101.56	90.59	105.4	50.53
Ordinary	1916.5	1923.1	1925.8	1940.8	1930.9	1935.8	2108.3	1606.3	2108.3	49.4
Gold Mines	123.4	122.1	121.3	116.0	118.3	123.9	222.8	116.0	734.7	43.5
FT Act All-Share	1181.44	1186.78	1185.78	1197.76	1189.05	1192.12	1284.07	987.46	1284.07	61.92
FT-SE 100	2456.6	2467.6	2464.7	2491.2	2470.7	2476.0	2679.6	2054.8	2679.6	986.9
FT-SE Eurotrack 100	1153.93	1153.18	1153.82	1151.88	1145.61	1154.40	1176.44	900.45	1176.44	900.45
FT-SE Eurotrack 200	1162.99	1163.58	1165.83	1169.93	1161.33	1168.56	1200.90	938.62	1200.90	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	US Dollar Index (Fri Mar 20 1992)	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	US Dollar Index (Thu Mar 19 1992)	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index 1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	143.43	-4.9	124.61	121.54	125.02	125.60	-4.9	4.41	142.22	123.20	119.79	123.45	124.51	160.31	112.74	133.30
Austria (20)	172.89	+3.8	150.21	146.50	150.70	150.55	+14.7	1.92	174.06	150.78	146.62	151.08	150.96	222.37	153.86	198.25
Belgium (46)	136.59	-5.4	118.67	115.73	119.05	116.72	+4.9	5.11	137.62	119.21	115.91	119.45	116.92	151.20	116.04	141.83
Canada (115)	129.78	-4.8	112.76	109.97	113.11	112.63	-1.3	3.29	130.17	112.76	109.63	112.97	112.78	144.28	126.49	136.05
Denmark (38)	232.65	-12.9	202.13	197.14	202.78	206.71	-3.7	1.78	234.37	203.02	197.41	203.43	208.88	273.94	217.74	246.46
Finland (15)	79.51	+1.9	69.07	67.37	69.30	76.09	+12.4	2.07	79.29	68.68	66.79	68.82	75.52	125.15	73.32	121.80
France (106)	149.29	-0.8	129.70	126.50	130.11	133.54	+9.2	3.34	150.17	130.08	126.48	130.33	133.56	156.43	119.11	139.34
Germany (65)	116.93	-0.3	101.59	99.09	101.91	101.91	+10.1	2.25	116.78	101.16	98.36	101.36	101.36	125.35	94.15	109.33
Hong Kong (55)	208.41	+18.2	181.06	176.59	181.66	207.23	+17.7	3.76	207.20	179.49	174.52	179.85	206.05	210.88	119.62	150.95
Ireland (18)	156.17	-6.9	135.68	132.33	136.12	138.35	+2.2	3.69	155.93	135.08	131.34	135.34	137.80	182.48	132.88	171.11
Italy (77)	70.78	-6.1	61.47	59.95	61.67	66.57	+2.9	3.49	71.29	61.76	60.05	61.88	66.69	88.23	64.76	81.65
Japan (473)	106.58	-21.5	92.60	90.31	92.91	90.31	-15.8	0.94	107.22	92.88	90.31	93.08	90.31	148.97	104.90	140.90
Malaysia (68)	242.33	+13.1	210.64	205.33	211.21	241.54	+7.8	2.60	240.90	208.68	202.90	209.09	240.25	250.18	189.18	236.92
Mexico (18)	1674.32	+20.4	1454.64	1418.74	1459.38	5604.44	+21.2	1.01	1653.16	1432.05	1392.44	1434.89	5534.49	1789.77	534.45	716.17
Netherland (31)	148.54	-2.7	129.05	125.87	129.48	127.97	+7.5	4.32	148.98	129.05	125.48	129.31	127.83	156.48	125.70	138.22
New Zealand (14)	44.99	-4.2	39.09	38.13	39.22	43.46	-5.9	6.32	44.91	38.91	37.83	38.98	43.51	54.64	41.18	44.14
Norway (24)	170.01	-4.9	147.70	144.06	148.18	152.47	+5.3	1.67	169.94	147.21	143.14	147.50	151.37	223.24	157.08	199.17
Singapore (38)	204.65	-6.8	177.80	173.41	178.37	157.02	-4.3	2.19	206.02	178.46	173.53	178.81	157.27	228.43	151.63	196.67
South Africa (61)	227.17	-8.7	197.37	192.49	198.00	177.66	+2.7	2.83	223.54	193.64	188.28	194.02	177.36	271.99	173.00	202.74
Spain (51)	150.27	-3.9	130.55	127.33	130.97	121.12	+5.7	4.96	151.53	131.26	127.63	131.52	121.28	171.12	131.51	161.96
Sweden (25)	185.71	+2.5	161.34	157.36	161.87	167.84	+12.9	2.71	187.11	162.09	157.61	162.41	168.07	204.12	146.60	190.90
Switzerland (59)	98.02	-2.3	85.16	83.06	85.45	92.67	+9.9	2.19	98.44	85.27	82.92	85.45	92.43	104.22	82.17	93.67
United Kingdom (233)	167.62	-9.6	145.63	142.02	146.09	145.83	-0.8	5.11	168.86	146.28	142.22	146.55	146.28	187.44	156.27	176.31
USA (523)	167.94	-1.1	145.91	142.31	146.39	167.94	-1.1	2.91	167.46	145.06	141.06	145.38	167.46	171.66	125.95	148.83
Europe (808)	139.68	-5.4	121.35	118.36	121.75	122.35	+4.2	3.97	140.43	121.65	118.28	121.89	122.49	151.52	125.50	141.40
Nordic (100)	173.42	-5.6	150.67	146.95	151.16	149.98	+4.2	2.17	174.52	151.18	147.00	151.48	149.95	200.81	155.55	185.72
Pacific Basin (717)	111.25	-18.9	96.65	94.27	96.96	94.76	-13.7	1.32	111.74	96.80	94.12	96.99	94.69	145.92	109.69	140.65
Euro-Pacific (1525)	122.86	-13.3	106.74	104.10	107.08	106.37	-6.4	2.62	123.46	106.95	103.98	107.15	106.38	147.68	121.29	141.25
North America (638)	165.54	-1.3	143.82	140.29	144.31	164.19	-1.1	2.93	165.11	143.03	139.09	143.33	163.74	169.69	125.91	147.98
Europe Ex. UK (575)	122.20	-2.4	106.17	103.57	106.53	108.55	+7.9	3.19	122.69	106.28	103.36	106.51	108.43	129.80	103.58	120.26
Pacific Ex. Japan (244)	157.24	+4.8	136.61	133.26	137.08	140.25	+4.2	3.84	156.35	135.44	131.71	135.72	139.48	158.16	111.40	135.55
World Ex. US (1719)	125.26	-12.7	108.82	106.15	109.18	108.66	-5.8	2.64	125.76	108.96	105.95	109.16	108.66	148.16	122.32	142.01
World Ex. UK (2009)	135.94	-8.2	118.11	116.20	118.50	125.03	-4.4	2.42	136.03	117.83	114.58	118.08	124.80	150.56	120.08	140.00
World Ex. So. Af. (2181)	138.14	-8.3	120.02	117.07	120.42	126.53	-4.1	2.69	138.35	119.85	116.54	120.10	126.38	153.05	122.92	142.86
World Ex. Japan (1769)	156.95	-2.4	136.35	133.00	136.82	148.02	+1.2	3.31	156.89	135.91	132.16	136.20	147.78	161.90	126.69	145.84
The World Index (2242)	138.71	-8.3	120.51	117.64	120.91	126.99	-4.0	2.69	138.89	120.32	116.99	120.56	126.84	153.70	123.28	143.22

Base values: Dec 31, 1986 = 100: Finland: Dec 31, 1987 = 115.087 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent change during the week ending 20/3/92: Deletion: Focsa (Spain). Japanese market closed March 20.

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Y'ld change	Div gross	Dividends paid	Last xd	City line
Abbott Labs.		35¾xd	0.3	$1.20	FeMyAuNv	10.1	1503
♥Allegheny & W.		323p	2.9	30c	–	–	–
Amdahl		1028p	–4.9	10c	NvMrJeAu	31.1	–
Amer Cyanamid		37	2.8	$1.50	MrJeSeDe	4.3	–
Amer Express		12⅞xd	4.8	$1.00	FeMyAuNv	30.12	1594
Amer T & T		23⅝xd	5.6	$1.32	FeMyAuNv	27.3	1597
Ameritech		34¼	–2.1	$3.52	FeMyAuNv	28.3	–
BankAmerica		25½xd	0.2	$1.20	FeMySeDe	20.2	1744
Bankers NY		32⅛xd	–1.5	$1.52	ApJyOcJa	27.12	1745
Bell Atlantic		24½	–	$2.52	FeMyAuNv	4.7	–
BellSouth		26½	–5	$2.76	FeMyAuNv	5.4	–
♥Bethlehem Steel		9⅞xd	14.2	–	MrJeSeDe	8.2	1821
Bowater		1532pxd	5.6	$1.20	OcJaApJy	9.3	1884
CPC		30⅝xd	2.3	$2.40	JaApJyOc	27.12	2263
California Engy.		736p	5.0	–	–	–	–
Campbell Soup	h	21⅝	0.6	70c	OcJaApJy	24.12	2050
Chase Manhattan		14⅞xd	8.0	$1.20	FeMyAuNv	24.1	2100
Chrysler		18⅝xd	10.4	60c	ApJyOcDe	11.3	2135
Citicorp		9¹³⁄₁₆xd	5.3	–	–	23.10	2141
Colgate–Palm		27¾xd	3.1	$1.08	FeMyAuNv	22.1	2184
Cont'l Bank		860p	8.8	60c	DeMrJeSe	31.5	–
Dana		21¼xd	4.8	$1.60	MrJeSeDe	25.2	2306
Data General		623p	1.6	–	–	–	–
Dial		23½xd	–19.3	$1.12	JaApJyOc	20.3	2778
Dun & Brad		32⅞	1.2	$2.16	MrJeSeDe	13.2	–
Eaton		44½	10.6	$2.20	FeMyAuNv	2.2	2410
Echlin		10¹⁄₁₆xd	9.5	70c	JaApJyOc	30.12	3048
FPL		19½xd	0.3	$2.40	MrJeSeDe	25.2	–
Fluor		23⅛xd	0.5	40c	JaApJyOc	10.3	2609
Ford Motor		23⅞xd	9.2	$1.60	MrJeSeDe	28.1	2615
Gen Elect		45⅞xd	1.7	$2.20	JaApJyOc	4.3	2675
♥General Host		508p	0.6	34c	–	13.12	–
Gillette		27¾xd	1.4	62c	MrJeSeDe	29.1	2695
Hasbro	h	15⅛	–31.1	13.3c	JaApJyOc	1.8	–
Honeywell		43xd	2.5	$1.65	MrJeSeDe	26.2	2919
Houston Inds		24½	1.0	$2.96	MrJeSeDe	10.11	–
IBM		50⅛xd	–3.5	$4.84	MrJeSeDe	5.5	2986
Ingersoll–Rand		37¹³⁄₁₆xd	9.7	$1.32	MrJeSeDe	13.2	2979
Lockheed		26½	1.0	$2.08	MrJuSeDe	18.2	–
Lowe's		2434p	5.6	56c	JaApJyOc	11.7	–
Merrill Lynch		33⅞xd	2.5	$1.00	FeMyAuNv	30.4	3351
Morgan (JP)		34xd	–7	$2.18	JaApJyOc	18.3	3418
Morris (Philip)		45xd	–7	$2.10	JaApJyOc	11.12	5161
NYNEX		42	–	$4.64	FeMyAuNv	27.8	4740
♥Pac Agric		42p	50.0	–	–	–	–
Pall		15½	0.8	36c	FeMyAuNv	24.1	–
Pennzoil		26xd	–3.9	$3.00	MrJeSeDe	26.2	3630
Quaker Oats		34⅝xd	–1.8	$1.72	JyOcJaAp	17.3	3735
Rockwell		15⅛xd	–2.6	92c	MrJeSeDe	12.2	3847
Rep NY		24⅞xd	4.8	$1.08	JaApJySe	10.3	3814
Sears, Roebuck		28xd	5.4	$2.00	JaApJyOc	26.2	5191
Sthwestern Bell		34¼	1.3	$2.84	MyAuNvFe	4.7	–
Sun Co		16⅞xd	4.1	$1.80	MrJeSeDe	6.2	4135
Tenneco		23⅛xd	2.5	$1.60	MrJeSeDe	11.2	–
Texaco		33⅝xd	–	$3.20	MrJeSeDe	30.1	4200
Time Warner		61⅛xd	0.1	$1.08	MrJeSeDe	10.2	4234
♥Unitab		468p	–21.6	–	–	–	–
Utd Tech		31¼xd	3.3	$1.80	MrJeSeDe	29.2	4381
♥Unitech		120p	18.8	–	–	–	–
✧URS Intl 1c		0½p	–	–	October	21.7	4384
US West		19⅞	–3.0	$2.86	FbMyAuNv	14.4	–
Varity		763p	3.4	–	–	11.77	–
Waste Manage.		24½xd	–5	44c	ApJyOcJa	13.3	4439
Whirlpool		2681pxd	4.2	$1.10	MrJeSeDe	4.3	–
♥Woolworth		18⅞	7.0	$1.88	MrJeSeDe	28.1	4540

CANADIANS

	Notes	Price £	Y'ld change	Div gross	Dividends paid	Last xd	City line
♥Abbot Energy		2p	–	–	–	–	–
Amer Barrick		1485p	–2.8	8c	Jun Dec	–	–
Bk Montreal		21	–2.3	$2.12	FbMyAuNv	2.8	1029
Bk Nova Scot		1022p	–1.4	92c	JaApJeOc	30.6	1017
♥BC Gas		638p	2.4	80c	FeMyAuNv	30.12	–
BCE		22⅝	–1.1	$2.60	ApJyOcJa	12.6	–
♥Brascan		894p	–1.1	$1.04	JaApJyOc	28.10	–
♥Breakwater		24½p	–3.9	10c	–	–	–
Can Imp Bk		1817p	–4.2	$1.32	FeApAuNv	28.6	1037

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividend paid	Last xd	City line
Ansbacher (H)		27	—	0.01	—	May	2.4	1624
Barings 8pc Cm 2nd Prf		99½	-1.1	8%	—	June Dec	11.11	—
9¾pc Non-Cum Prf		108¼	-.5	9¾%	—	Jan Jul	9.12	1421
Brown Shipley		180	-5.9	9.0	—	Jan Aug	1.7	1983
Close Bros	†	282	—	6.0	2.5	Apr Oct	16.9	2185
Hambros	†	241	-6.9	12.3	1.9	Jan Aug	9.12	2872
7½pc Cv Pf		194	-3.7	7½%	—	Apr Oct	24.2	4989
Joseph (L)		320	—	15.25	—	Jan Sep	30.12	3960
Kleinwort Benson		320xd	-4.2	16.0	♦	May Oct	9.3	3702
Rea Bros		29	—	0.5	2.6	May Oct	2.9	3735
Schroders		1118	1.4	19.0	♦	Nov May	30.9	3838
N/V		943	0.3	18.0	♦	May Nov	30.9	3841
Singer & Fried		45	—	2.5	♦	Nov May	16.9	4028
Warburg (SG)	†	503	-4.2	18.0	2.0	Jul Dec	25.11	4425
6pc Cv Pf		175	-0.3	6%	—	Mar Sep	24.2	4426
Wintrust		223	—	9.5	3.6	Sep Mar	24.2	4524

METALS & METAL FORMING

OIL & GAS

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

INVESTMENT COMPANIES

MISCELLANEOUS

OTHER FINANCIAL

PROPERTY

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MEDIA

MOTORS

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

STORES

MINES

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

4:00 pm prices March 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅝	12¼	AAR Corp	0.48	3.2	18	229	15⅛	15	15⅛	+⅛
26	20⅝	A L Labs A	0.16	0.7	111	283	24⅛	23⅝	23⅝	-¼
68¾	58⅛	AMP Inc	1.52	2.5	24	2620	60⅝	59⅞	60¼	-⅛
80¼	68⅛	AMR				272586	79	78	78⅞	+⅜
2⅛	1⅛	ARX				2 3	2	2	1⅞	
53½	42¾	ASA	2.75	6.1	13	105	45⅛	45	45	-¼
68⅛	56¼	Abbott Lab	1.20	2.0	20	7312	60½	59¾	60⅛	+½
13½	12⅛	Abitibi Pr	0.50	3.8	29	38	u13⅞	13½	13⅞	+½
11⅛	10⅜	ACM Gvt In	0.96	9.1		640	10½	d10⅜	10½	+⅛
10⅝	9⅛	ACM GvOpp x	0.80	8.5		116	9⅜	9⅛	9⅜	
9½	8⅝	ACM Gvt Sp	0.80	9.0		579	8⅞	8¾	8⅞	
11¼	10⅛	ACM Gvt Se	0.96	9.1		623	10½	10⅜	10½	+⅛
9⅝	8⅝	ACM Man x	0.95	10.6		361	9	8⅞	9	
12⅞	10⅞	ACM Managd x	1.08	9.6		83	11¼	11⅛	11¼	+⅛
11⅞	7	Acme Cleve	0.40	3.6	21	416	11¼	11	11¼	+⅛

1992 High	1992 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
104	101	Bostn Ed B	8.88	8.7		2	102	102	101½	-½
27¼	20¼	Bowater	1.20	4.6	22	1049	26⅛	25⅞	25⅞	-¼
17⅞	14⅞	Brazil Fnd				1405	u17⅞	17⅛	17⅞	+½
31⅞	28⅛	BRE Prop	2.40	7.8	15	42	31	30⅝	30¾	
54⅛	41¾	Briggs & S	1.80	3.0	17	675	u54⅛	53¾	54⅛	+⅛
41¼	34¼	Brinkerint			38	442	39⅞	39⅛	39⅜	-½
90⅛	77¼	Bristol M	2.78	3.4	20	048	80¼	79⅛	80⅛	+1
48⅝	39½	Brit Airwy	1.73	4.0	22	478	42¾	42⅜	42¾	-⅛
49½	42⅛	Brit Gas	2.60	6.3	7	225	41¾	d41¼	41½	-1⅛
66⅝	53½	BP ADR	3.99	7.3	25	3124	54⅝	54¼	54⅝	-½
30¼	27⅞	BP Prudhoe	3.57	11.8	9	206	30⅛	29⅞	30⅛	
1⅞	⅝	BP Wts93				378	11/16	d⅝	11/16	+1/16
14⅝	11⅝	Brit Steel	1.70	12.6	7	282	13⅝	13½	13½	-⅛
63½	54¼	Brit Tel	3.72	5.0		81574	55	d54⅛	54⅞	-½
21	16	Broad Inc	0.20	1.1	12	436	17⅝	17⅜	17⅝	+⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
34¾	31¼	StJoeL&P	1.72	5.4	13	16	32	d31½	32	
75¼	68½	St Paul's	2.72	3.8	7	1344	71⅝	d68¼	71⅝	+1⅝
7¼	2⅞	Salant Crp			1	43	7¼	6⅞	7	
75⅛	61½	Sallie Mae	1.00	1.5	18	1306	65½	64½	64⅞	
14¼	13⅝	Salomon Br	1.61	11.5		747	14	13⅞	14	
32½	26	Salomonlnc x	0.64	2.2	7	2560	28⅞	28¼	28½	–⅜
45⅞	42⅞	SanDgo G&E	2.88	6.6	12	188	43⅝	43⅛	43⅛	
3½	2⅞	SantaFeEDu	0.40	12.8	26	18	3⅛	3	3⅛	+⅛
9⅛	7	SantaFeERs	0.16	1.9	29	2303	8⅝	8⅜	8½	+⅛
36⅝	31⅞	SantaFePac	2.75	8.5	10	139	32⅞	32	32⅞	+⅞
14⅛	11⅛	SantaFeSth			23	7397	12⅝	12¼	12½	+⅛
57	49¼	Sara Lee	1.00	1.9	17	5485	53⅛	51⅝	51⅞	–1⅛
9½	1¼	Savin				47	4¼	4	4	–⅛
3¼	⅞	Savin 0.80	0.80	45.7		20	1¾	1¾	1¾	
44⅛	38⅝	Scana Corp	2.68	6.8	11	706	39¼	39⅛	39⅛	
47⅞	40⅞	Scecorp	2.72	6.5	13	1811	41⅞	41½	41⅞	+⅛
68	54⅞	ScheringPl	1.32	2.3	18	8345	57¾	56	56¾	–⅞
64¼	54½	Sch'berger	1.20	2.1	20	7287	57	56⅛	56⅝	–⅛
36⅜	29¼	Schwab(C)	0.16	0.4	28	3116	u36⅞	35⅛	36⅝	+⅞
8⅞	6¾	Schwitzer			35	13	8¼	8⅛	8¼	+⅛
19⅞	15⅞	ScientAtln	0.16	0.9	118	426	17⅞	17½	17¾	+⅛
9½	7¼	Scotman	0.10	1.1	13	36	9⅛	8⅞	9⅛	+¼
44½	34½	ScottPaper	0.80	1.9	27	1360	42½	42⅛	42⅞	–⅛
15⅞	13⅝	ScuddrNAsF	0.18	1.2		181	16⅛	14⅞	15⅛	
9¼	8⅞	ScuddrNEuF	0.30	3.3		273	9	8⅞	9	+⅛
24	18⅝	Sea Cont	0.70	3.7	7	61	19⅛	d18⅝	18⅞	+⅛
15⅝	14⅞	SeaC7.4625	1.46	9.5		4	15⅝	15⅜	15⅜	
123½	109½	Seagram Co	2.00	1.7	15	1719	117½	116¼	116⅜	–1⅜
26⅞	21⅝	Seagull En			53	160	24	23¾	23⅞	–⅛
58⅞	44⅞	Sealed Air			30	30	53⅞	52¼	52¾	–1⅛
16¼	12⅛	SPX Corp	0.40	2.5	148	170	16⅛	15⅞	16⅛	+⅛
47⅞	37	Sears Roeb	2.00	4.2	14	1189	47¼	46½	47¼	–⅜
39⅛	29¼	Sec Pac	1.52	3.8		66606	u39¾	38	39¾	+1¾
12½	12	Seligm Sel x	0.84	6.9		100	12⅛	d12	12⅛	+⅛
31¼	24¼	Sensormat	0.30	1.1	28	311	28⅝	28⅛	28⅛	–⅜
51	41¼	Sequa A x	0.60	1.4	39	79	43¼	41⅝	43¼	+1⅞
56	45½	Sequa B x	0.50	1.0	28	5	52½	52½	52½	
27⅝	23½	ServiceCpI	0.56	2.0	18	1140	27¼	27	27¼	+⅛
27¾	22	Servicemtr	1.28	5.4	10	284	23¾	23½	23⅝	+⅛
28⅞	17	Shaw Ind	0.15	0.6	88	2822	28⅞	28	28½	
15¾	8⅞	Shawmut Nt	1.00	6.4		32430	15⅝	15⅛	15⅝	+⅛
10¼	6⅝	Shelby Wll	0.24	2.4	29	30	10	9¾	10	+⅛
1½	⅞	Telecom Cp				2	23			
27	19⅞	Teledyne	0.80	3.0	58	1125				
39⅞	31½	TeleEspSA	1.44	4.3		61220				

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices March 20

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pall Corp	0.36	28	1409	28⅝	28	28⅜	–⅛
Pegasus G	0.10	33	431	12¼	12⅛	12¼	
Perini		51	17	13⅞	13¾	13⅞	+⅛
Pet H&P x	0.31	8	9	10⅜	10¼	10¼	–¼
Phil LD x	0.25	13	303	33⅞	33	33⅛	–¼
Pitway A x	0.70	16	42	30¾	30	30¼	–¾
Ply Gem	0.12	38	117	11	10¾	11	
PMC	0.62	16	42	10⅝	10⅝	10⅝	–⅛
PresidioA	0.10	2	21	2⅞	2⅞	2⅞	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Cal Engy		17	787	12½	12½	12½	
Calprop		1	20	3¼	3¼	3¼	–⅛
Carmel A	0.52	14	2646	22⅞	22¼	22½	
Can Marc	0.24	13	6	13	13	12¾	
Chmbrs A		12	22363	10⅝	9⅞	10¼	–⅛
Chambers		16	871	13½	11¾	12⅜	–½
Champion		28	182	5⅜	5⅛	5⅛	
Hasbro x	0.09	28	963	28⅛	26¾	28⅛	–⅛
OMI Corp	0.14	7	76	6¾	6½	6⅝	
Xytronix		20	53	15¼	14⅞	15	–½

NASDAQ NATIONAL MARKET

4:00 pm prices March 20

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		31	5627	29½	28¼	29½	+¾
Xoma Corp		12	1910	23	22½	22⅝	–⅛
Yellow Fr	0.94	31	1223	30⅞	29½	30½	+½
York Rsch		40	1207	5⅛	4½	4⅞	–⅛
ZionsUtah	1.44	10	50	u49½	47¾	48¼	–¼

MONDAY INTERVIEW

Enemy of restrictive practices

Sir Gordon Borrie, director-general of fair trading, talks to **Geoffrey Owen**

"Given the choice, I prefer to take a complaint to Brussels, where the response is swift and vigorous, than to the Office of Fair Trading."

This comment from a London-based competition lawyer highlights an anomaly. The present Conservative government in Britain, which believes in competition, has been curiously passive in dealing with what is probably the most widespread anti-competitive practice – price-fixing. No action has been taken on the 1989 white paper which proposed stronger powers for the director-general of fair trading. Last week's Tory manifesto promises new legislation on the subject; it cannot come soon enough for the competition authorities.

"We have been much frustrated by the inadequacy of our investigatory powers," says Sir Gordon Borrie, who hands over as director-general to Sir Bryan Carsberg in June. "I also believe the deterrent powers are inadequate because the sanctions are both remote and modest when they apply."

A Court of Appeal judgment last year made matters even worse. It ruled that a company was not responsible for the price-fixing activities of a senior employee when it had issued a prohibition to its staff and had adequate monitoring arrangements in place. Sir Gordon is urging victims of cartels, when they are uncovered, to sue for the losses they have suffered. "Some well-publicised successes would be a useful deterrent," he says. But his influence is limited.

Restrictive practices are not the only area where he would like to see competition policy tightened. On mergers, he points out, the present system is benign. "The Monopolies and Mergers Commission has to have very strong evidence that a merger will operate in an anti-competitive way before coming to an adverse finding."

Sir Gordon suggests a small but important shift in the burden of proof, so that the commission would block potentially anti-competitive mergers unless the parties could demonstrate that there were offsetting gains, such as greater efficiency or lower costs.

Those who think the commission is too soft on mergers will applaud Sir Gordon's plan. At present clearance is normally given to border-line cases – and even some which seem not so border-line, like the merger in the roadside catering business between Happy Eater and Little Chef, cleared in 1987 as part of a deal between Trusthouse Forte and Hanson. (Sir Gordon found this verdict "a little surprising".)

The opposite criticism is that merger policy creates costly uncertainty for businessmen while doing very little to promote competition. Sir Gordon strongly disagrees. If merger control did not exist, "you could only deal with monopolistic situations after they had been created".

He points to gas and telecommunications. Because they were privatised as monopolies, they have to be controlled by price regulation, which is a "poor substitute" for competition. The Kingfisher/Dixons merger proposal, referred to the Monopolies and Mergers Commission and turned down in 1990, illustrates his point. If there had been no merger control and the deal had gone through, "you would have got a substantial monopoly situation in DIY retailing, especially in out-of-town centres; where would be the protection for customers from monopolistic pricing?"

As for complaints about unpredictability, Sir Gordon thinks the commission has made good progress towards greater consistency; it seeks to explain its decisions by reference to principles established in earlier reports.

He agrees that there could be room for more specific use of precedents and this has begun to happen. But "certainty can be bought at too high a price". Rigid rules about, for example, maximum permissible market shares could lead to perverse judgments. At the reference stage, too, he thinks the secretary of state needs to have some discretion to respond to developments – like the Kuwait Investment Office's shareholding in British Petroleum – for which there are no precedents.

Why not limit the discretion to cases where public interest considerations other than competition are at stake? Sir Gordon agrees it would be logical, in mergers where competition is the only issue, to leave the reference decision to the director-general. (He already has jurisdiction over monopoly references, where whole industries are referred to the MMC.)

In making his recommendation on merger references, the director-general takes advice from officials in the relevant government departments. For the DTI then to second-guess him seems pointless. "Several secretaries of state have suggested that they don't really want that role."

Sir Gordon's most serious worries about political interference in merger control centre not on the British system, but on the European Community – which is why he has suggested the creation of an independent European body like the MMC. His concern is that, "under the present system of governance it may be difficult to keep political considerations out of cases that ought to be determined on competition grounds".

He was relieved that the commission came to what he regarded as the right decision in the recent commuter aircraft case. He places much reliance on the fact that the commissioner in charge of the policy, "whose word normally goes", is Sir Leon Brittan, a strong advocate of competition.

The UK's competition rules, of course, are far from perfect. The ideal sequence of reform, in his view, would be a radical improvement in the laws relating to restrictive practices along the lines of Article 85 of the Treaty of Rome, with a further addition to alter last year's Court of Appeal ruling.

Then, he suggests, "although this has not been clearly worked out by myself or anyone else, we would need to look at the law relating to monopolies and competition, and perhaps see whether Article 86 would be a suitable model". He would like to retain the power to initiate inquiries by the MMC into whole industries, which is not available under EC legislation.

Meanwhile the uncertainties of the present law will continue, including the possibility that a new government might use the wide-ranging Section 84 of the Fair Trading Act to refer mergers that have nothing to do with competition – "mergers that might be inimical to regional growth in Scotland or something of that sort". That, says Sir Gordon, is for the politicians to decide.

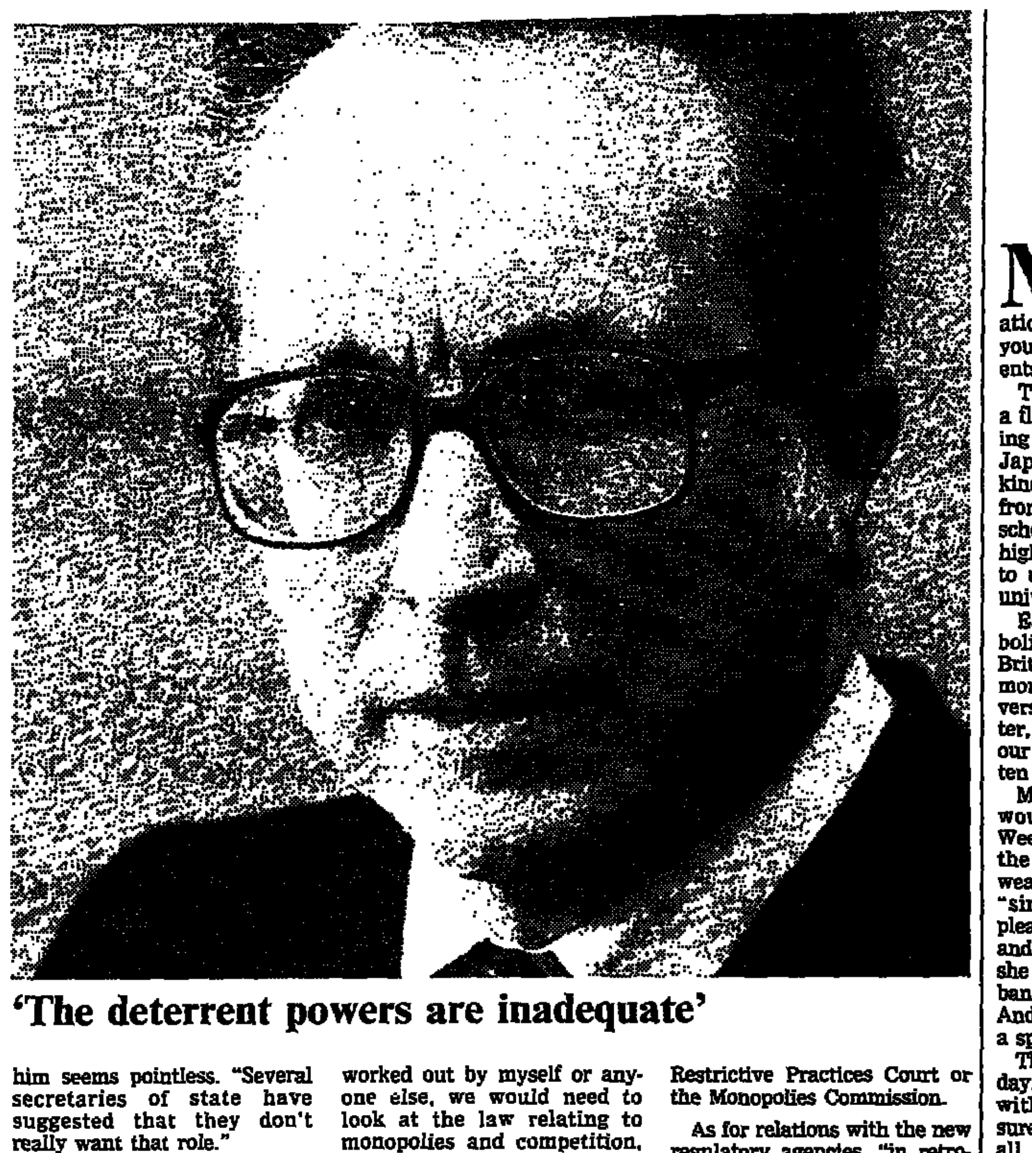
As for the machinery of competition policy, he is not impressed with the argument, endorsed recently by the Commons Trade and Industry Committee, for combining the MMC and the competition side of the OFT in one organisation. He accepts that the case for such a combination is somewhat stronger on mergers alone; the Cartel Office in Germany handles both the preliminary inquiries into mergers and the full investigations, and there would be advantages in the pooling of knowledge. But transferring the whole of the OFT's competition work is quite another matter.

For one thing, the organisation of the MMC, with its reliance on part-time members, is quite inappropriate for the large administrative and negotiating load which falls to the OFT. Apart from the gains from combining competition and consumer protection under one roof, he thinks it is useful to have someone at the head of the OFT who can play a more partisan role in promoting competition than would be suitable for the head of the Restrictive Practices Court or the Monopolies Commission.

As for relations with the new regulatory agencies, "in retrospect one could have drawn the lines in somewhat different places". In one privatised industry, buses, he has sometimes wished that there had been an "Ofbus", to relieve the OFT of the burden of post-privatisation regulatory activity.

He thinks, but perhaps not before the end of the century, price competition in gas and telecommunications may have reached the point where the need for specialised regulation could disappear. At the same time there could be a case for bringing together whatever regulatory agencies were still needed on a long-term basis.

But all this is a long way off. "I am not keen on institutional changes, especially if politicians see them as a substitute for something more important," he says.



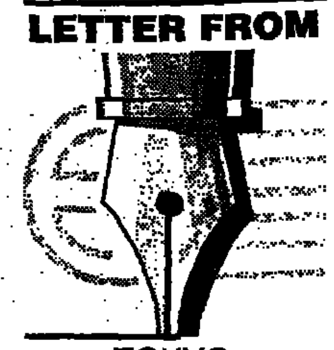
'The deterrent powers are inadequate'

PERSONAL FILE

- **1931** Born in Croydon. Educated at Manchester University.
- **1952** Called to the Bar.
- **1957** Lecturer at the College of Law in London.
- **1964** University of Birmingham, becoming Professor of English Law.
- **1976** Director-general of fair trading.
- **1982** Knighted.
- **1986** Appointed Queen's Counsel.

The golden age of Japanese youth

LETTER FROM



TOKYO

March, the season of plum-blossom in Tokyo, is also graduation time for thousands of young Japanese and their parents.

The academic year ends with a flourish of ceremonies marking the five great divides of Japanese education – from kindergarten to junior school, from junior school to middle school, from middle school to high school, from high school to university and finally from university to adult life.

Each is endowed with a symbolic importance matched in Britain only by the cloak and mortar-board ritual of the university. My six-year-old daughter, Sabina's, graduation from our neighbourhood kindergarten was no exception.

My wife and I knew this would be no ordinary day. Weeks in advance she was told the other mothers would all wear formal clothes but that "since you're a foreigner, please wear something bright and cheerful". A few days later she was told: "Tell your husband to wear a suit and tie. And we've chosen him to make a speech."

The great day came last Friday. We dressed in accordance with instructions and made sure we were on time. Almost all the other parents wore shades of navy blue and grey, with pearls and video-recorders very much in evidence.

The kindergarten has an unusual history. It was established earlier this century by a philosophy teacher who read the Bible and other western works and selected the passages he thought most appropriate for Japan. Applying the same utilitarian eclecticism with which other Japanese scoured scientific manuals and patent records, the founder created his own church.

The church and the kindergarten almost fell victim to the Japanese land boom of the 1980s. Their landlord wanted to reclaim the site in the middle of Tokyo, which the congregation has occupied for decades, and started legal proceedings. With Solomon-like logic, the lawyers decided the landlord could have the use of only half the land. Moreover, the landlord was instructed to pay a substantial sum to the tenants in return for their giving up rights to the other half of the plot. With the proceeds, the congregation built a new kindergarten and a chapel.

The graduation took place in the chapel. Despite being bent double by her advanced age, the headmistress presided over the ceremony with great spirit. Almost as soon as she began speaking of the trials and tribulations the six-year-olds would face in life, mothers started sobbing. They were quickly joined by the teachers. Contrary to western opinion, Japanese are very emotional. They are simply brought up to avoid being emotional in the wrong places – such as the office or factory floor.

The headmistress believes the problems of modern Japan, especially political corruption, are all to do with people not being properly educated as children. "All these politicians trying to escape blame for their own wrong-doings. They have no sense of personal responsibility," she says.

Her pet hate is the Japanese bow. Bowing breaks eye-contact between people. It is also a symbol of inequality, since inferiors are required to bow lower than their social superiors. The headmistress prefers the western-style handshake: every morning she insists the children look her in the eye and shake her hand.

However, she regards the graduation ceremony as so important that she makes an exception. When the children received their certificates from her, they were told to bow low out of respect to the kindergarten. After several speeches, the event ended with a tear-jerker of a song called "Thank you, sayonara," followed by photographs and a huge party.

I wondered why so much energy is lavished on a ceremony for such young children, especially as it is repeated at the ages of 13, 16, 18 and 22. Partly, it seems to reflect the respect given to teachers in Japan. In traditional Japanese custom, a debt to a teacher is one which can never be repaid.

Also, these ceremonies are a measure of the significance of the peer-group. In adult life, people tend to be promoted by age. They regard peers as equals and look up to elders. When asked their age, children will frequently reply by giving their school-year. Executives often describe their seniority by reference to when they entered the company. While such principles might seem overly conservative to westerners, many Japanese believe they contribute greatly to social order.

Watching my daughter leave the kindergarten for the last time, I considered how different the experience had been from the stereotype of Japanese education. A common western view is that Japanese schooling is an examination hell in which children are forced to rote-learn and spend their evenings at cram school. They achieve high grades in international comparative tests, but at the price of their childhoods.

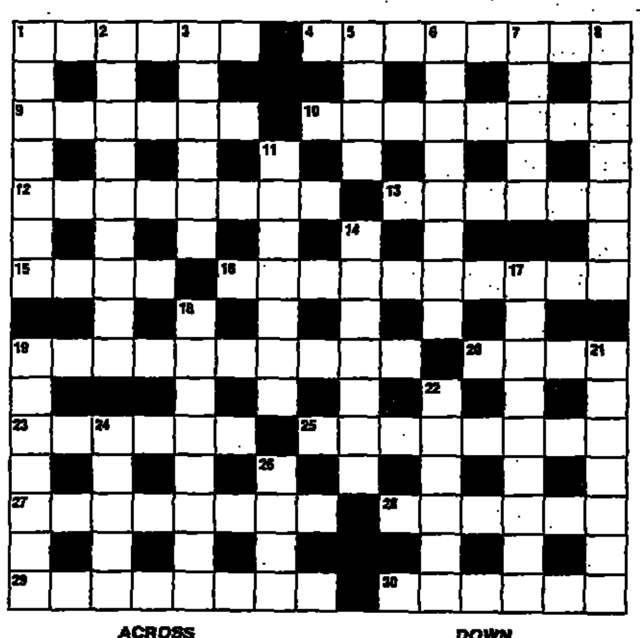
There is truth in this view – but it applies mostly to teenagers. Japanese kindergarten is a golden age in which children receive no formal instruction in Japanese language or arithmetic and are encouraged to play and run about. Japanese parents mostly like it that way, aware of the pressures which lie only just beyond the kindergarten gates. Little wonder they cry on graduation day.

Stefan Wagstyl

JOTTER PAD

CROSSWORD

No.7,805 Set by DANTE



ACROSS

1 Dislike writing notes before exam (6)
4 Dreary, but done with style (8)
9 Concentrate on providing a complete range (6)
10 Move faster on the promenade (8)
12 Useful if the going is sticky (8)
13 Introspective intellectual (6)
15 A fruit that changes overnight (4)
16 Workers' reward for doing nothing? (7,3)
19 Having trouble when bathing? (2,3,5)
20 Off it goes to wreak destruction (4)
23 Exceptional talent may be hidden (6)
25 Soundest form of exports (5,3)
27 One way of saying one doesn't like it? (8)
28 Minister is to eat about six (6)
29 Bacon or Lamb, for example (8)
30 Attacks one in the streets (6)

DOWN

1 Horse that's old and imperfect (7)
2 River lighter may transfer the ashes (4,5)
3 He would like a hand (6)
5 Ever changing wind movement (4)
6 Firm, lean sort of fighting man (8)
7 Around or a series of rounds? (5)
8 To agree without reservation (7)
11 Comfortable seat for a Turk (7)
14 Concentrated on being firmly secured (7)
17 Advertising campaign that should result in more money (9)
18 Supports and awaits instructions (6,2)
19 Reputation for enjoying poor health? (3,4)
21 Yet they're often put into bowl (7)
22 Loose draft I put in order (6)
24 Such ages may be tense (5)
26 Short-cuts (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 4.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 20.03.92: Pool purchase price £/MWh	Final Prices for Trading on 21.02.92: Pool purchase price £/MWh	Final Prices for Trading on 21.02.92: Pool selling price £/MWh
0030	16.88	17.06	17.06
0100	18.18	17.06	18.65
0130	20.80	17.09	18.68
0200	20.89	17.09	18.68
0230	17.29	17.06	18.65
0300	16.64	17.05	18.64
0330	16.69	12.00	13.59
0400	16.64	12.00	13.59
0430	16.59	17.02	17.02
0500	16.57	17.01	17.01
0530	16.57	17.01	17.01
0600	16.60	17.01	17.01
0630	16.57	17.01	17.01
0700	16.60	17.01	17.01
0730	16.57	17.01	17.01
0800	16.57	17.01	17.01
0830	16.60	17.00	17.00
0900	16.85	17.01	17.01
0930	16.93	17.02	17.02
1000	16.93	17.02	18.61
1030	17.34	17.05	18.64
1100	17.62	17.05	18.64
1130	17.62	17.42	19.03
1200	22.21	17.42	19.03
1230	22.21	18.30	19.94
1300	22.21	18.30	19.94
1330	18.14	17.40	19.00
1400	18.14	17.05	18.64
1430	16.93	17.02	18.63
1500	16.68	17.02	17.02
1530	16.70	17.02	17.02
1600	16.69	17.02	17.02
1630	16.70	17.02	17.02
1700	16.68	17.02	17.02
1730	16.68	17.42	19.02
1800	16.70	18.30	19.94
1830	18.14	21.87	23.63
1900	24.02	21.87	23.63
1930	26.00	21.87	23.61
2000	26.00	21.87	23.59
2030	21.32	17.40	19.00
2100	18.22	17.05	18.64
2130	18.22	17.05	18.64
2200	18.22	17.05	18.64
2230	18.22	17.04	18.63
2300	18.14	17.02	18.61
2330	16.68	17.02	17.02
2400	16.68	17.02	17.02

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements, which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 21.03.92: Pool purchase price £/MWh	Final Prices for Trading on 24.02.92: Pool purchase price £/MWh	Final Prices for Trading on 24.02.92: Pool selling price £/MWh
0030	16.78	17.06	17.06
0100	22.54	17.42	18.31
0130	22.54	18.30	19.22
0200	22.54	18.30	19.22
0230	18.22	17.42	18.31
0300	18.22	17.05	17.93
0330	18.22	17.06	17.93
0400	18.14	17.04	17.04
0430	16.70	17.02	17.02
0500	16.68	17.02	17.02
0530	16.74	17.02	17.02
0600	16.73	17.02	17.02
0630	16.81	17.05	17.05
0700	15.89	17.58	18.46
0730	17.76	17.64	18.54
0800	18.76	17.96	18.87
0830	20.42	17.65	18.55
0900	21.68	20.65	21.68
0930	25.68	20.66	21.66
1000	25.70	20.68	21.67
1030	25.70	20.68	21.67
1100	23.41	18.68	19.62
1130	23.43	18.68	19.62
1200	36.78	19.94	20.92
1230	36.76	19.94	20.92
1300	25.66	19.94	20.91
1330	22.76	18.52	19.44
1400	21.65	17.96	18.86
1430	21.10	17.65	18.55
1500	21.10	17.65	18.55
1530	21.50	17.69	18.55
1600	21.50	17.96	18.86
1630	24.96	17.65	18.55
1700	24.97	18.52	19.45
1730	24.96	18.71	19.64
1800	24.96	20.14	21.13
1830	20.70	21.27	22.29
1900	25.06	21.25	22.25
1930	25.07	19.52	20.46
2000	25.06	18.00	18.90
2030	24.96	17.65	18.55
2100	20.41	17.08	17.08
2130	18.78	17.07	17.07
2200	18.32	17.04	17.04
2230	16.95	17.04	17.04
2300	16.85	17.02	17.02
2330	16.78	17.02	17.02
2400	16.75	17.02	17.02

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.88/MWh becomes 1.588p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

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No longer a natural alliance

Lawyers are innately conservative, but will they generally be voting for the present administration at the general election?

Numerically, it may not matter. In this country there is still not quite the proliferation of lawyers that pervades the public scene in the United States. But British lawyers' voting habits may reflect the mood of the professional classes as they go to the polls on April 9.

Historically, the training of lawyers was geared to the established order; law reform was barely considered a separate subject for debate. The law faculties of the older universities were once aptly described as "encrusted with heavy-footed traditionalists".

But that is very much a thing of the past. The products of that age have virtually disappeared from bench and bar. Today a student can choose to be trained in law and expect to be an effective voice for human rights.

Even though the law graduate today is imbued with the idea of public service, nevertheless the practising profession derives its profitability from commercial clients. It is doubtful whether or not lawyers take their "ethics, economics and political ideas from the banker". Certainly, however, there is a tendency for lawyers practising exclusively for City merchants to take on the political leanings of their clients.

But there is more to the practice of law nowadays than acting for the moneyed classes.

JUSTINIAN

The spread of legal practice into fields that concern not property but human values has created a new brand of lawyer with political attitudes that do not necessarily reflect his or her professional status. Lawyers have become more a part of the body politic. There is less evidence of the progression from one monastic order to another: prep school to public school to Oxbridge and on to the Temple.

Still, if heads had been counted, the profession would have been largely putting its X against the Conservative candidate's name – at least until the recent past.

Such a confident prediction would have been misplaced at any time since 1987. The assault upon the restrictive practices of the profession by the Thatcher administration has produced some profound shifts in allegiance. A moment's recounting of the recent history tells all.

When the Labour administration of the late 1970s set up the Royal Commission on the legal profession under the chairmanship of Lord Benson, the profession regarded the move predictably as the left's instinctive dislike of the legal profession and its well-heeled members. It therefore set to, and mounted a massive defence of its status in society and its practices. When the Royal Commission reported, the profession got a virtual clean bill of health. It consequently wallowed in its evident success and proceeded to sit back and rest on its laurels.

The defeat of the Labour government in 1979 simply confirmed the view that all was well, so long as there was no return of a Labour government. And even that was not too unwelcome a prospect, since there would be little likelihood of a rerun of Benson this side of the 21st century.

Imagine, therefore, the horror with which the proposals of the Lord Chancellor were met after the 1987 election, resulting in the Courts and Legal Services Act 1990. In the course of the parliamentary process, the profession was able to chip away at some of the more radical reforms proposed by Lord MacKay, but the legislation jolted the profession out of its supposed immunity from the politician.

The revulsion expressed at this legislative monstrosity was led by the higher judiciary, with the famous Friday debate in the House of Lords when the Lord Chief Justice spoke vehemently against the proposals, using language illustrative of the most vigorous assault on extreme authoritarianism.

Although there has been some retreat from such outright opposition in the last two years, the scars of the battle are still visible. What the profession could not stomach was that all this was being done in the name of the Conservative party.

It was not uncommon during the late 1980s to hear senior members of the profession vowing that they would abandon their life-long allegiance to Toryism. Some would abstain. Others were declared supporters of the Alliance in 1987. It was particularly noticeable that The Independent had increasingly become the daily newspaper fare in place of The Times, reflecting a shift in political attitude.

Today it is not possible to predict how lawyers would vote in an actual poll. Certainly the mould of natural alliance between lawyers and right-of-centre politics (the profession rarely produced anyone on the extreme right) has been broken.

While a majority of lawyers would tend to favour a party which protected individual property rights, they would not all be fearful of a Labour government. Perhaps that is as much a result of the Labour party moving closer to the centre of politics than of disenchantment with the Conservative party.

At least lawyers nowadays generally opt for the median – and that may mean a vote for a candidate from any of the three parties, depending on the parliamentary constituency.

Louis Blom-Cooper QC

European Finance and Investment: **Nordic Countries**

Adding to the anxiety throughout much of Scandinavia is the sobering realisation that there is not going to be rapid and immediate recovery from the current difficulties. Signs of improvement among the financial institutions are not expected during this year. **Robert Taylor** investigates

Bitter price of liberation

AFTER the champagne days of the 1980s, the Nordic region's *financial system is going* through a prolonged hangover, which shows no signs at all of coming to an end.

Leading financial institutions in Norway, Finland and Sweden are still being hit hard by soaring bad debts, caused in many cases by the reckless provision of unsecured credit for the speculative activities of finance and property companies.

Over the past few weeks, one bank after another has reported the grim consequences in the form of falling profits and huge credit losses. Few have emerged unscathed.

Norway's leading banks have been suffering from disastrous deficits for the past three years and it has needed direct government intervention to prevent a collapse of the country's banking system. In Sweden, Forsta Sparbanken, the Stockholm-based savings bank, and the state-controlled Nordbanken, have both required government guarantees for loans to prop them up.

In Finland, the savings bank federation, Skopbanken, was only saved from collapse last autumn by being taken over temporarily by the country's central bank. Only Denmark has been spared from the prevailing sense of crisis.

What is adding to the anxiety across much of Scandinavia is the sobering realisation that there is not going to be any rapid and immediate recovery from current difficulties. Signs of improvement in the financial position of the banks and other financial institutions are not expected during the course of this year.

Even 1993 is already looking difficult. Some observers are starting to wonder just how *sizeable the credit losses will* eventually be, and what impact they will have on the capital base of the leading banks. The disaster in Norway in 1991 brought total accumulated losses for the financial institutions of NKr19.8bn. In a number of cases the losses were higher than the equity capital.

Bankers in Stockholm say that Sweden is not going to experience what Norway is going through but they may yet be proven over-optimistic.

The whole of the Nordic region is paying a bitter price for the liberating impact of financial deregulation that first began in the mid 1980s. In the new competitive climate created by the lifting of controls and rules, banks and finance companies rushed in to try and satisfy demand for loans, and competed against each other for corporate and personal customers, with little regard for proof of credit soundness.

"Handling credit is like handling explosives", explains Mr Jacob Palmstierna, vice-chairman of Sweden's Nordbanken. "If you don't know how to handle it, in time it explodes".

The supervisory authorities, as well as the Nordic governments and central banks, underestimated the turmoil that deregulation would bring to the financial system. "We saw the gains without seeing the pain which could be incurred in the pursuit of efficiency," admits Mr Bengt Dennis, the governor of Sweden's central bank.

The impact of the credit losses is coming in three waves, Mr Palmstierna points out. First, it is hitting the real estate and finance companies. Next, bad debts are being incurred by industrial enterprises, particularly among small and medium-sized firms. Finally, private individuals will start to default. So far, this dismal process has only reached the first phase.

The regulatory authorities, governments and central banks are looking at how to respond.

It will not be easy for the banks and other financial institutions to go back to basics, drop their pan-Nordic visions and consolidate their activities, when the pace of external change shows no signs of easing. *Indeed, further deregulation* is going to force the Nordic financial world to become ever more competitive.

"The doors have been almost completely opened to international competition, and yet the spirit of a tightly-controlled, closed economy still pervades the economic and financial system", argues Mr Tuoman Sukselainen at the Finnish Banker's Association.

The traditional commercial bank is being transformed into a multi-faceted financial services institution. The market is demanding that banks must provide every kind of financial service to corporate and household customers alike. As a result, there will more freedom of choice in the Nordic financial sector during the 1990s.

Moreover, as Mr Dennis told a banking conference in Kuala Lumpur last month, the number of non-bank financial firms coming into the market, often banks in all but name, is growing. "The expanding menu of bank services is pushing more and more of the banks' risk exposure off the balance sheet," he warned.

The globalisation of financial markets is also going to intensify the pressures on the banks and other financial institutions in the Nordic region. Removing foreign exchange controls and other restrictions has made the economies of the Nordic countries much more vulnerable to short-term capital fluctuations. The Nordic currencies have been pegged to the European Currency Unit and this has been backed by tough fiscal policies by the governments of the region.

Devaluation and demand management are no longer accepted as instruments of economic management. The Finnish markka was devalued last November, but this move was regarded, even by supporters, as a final, one-off measure, necessitated by uniquely difficult conditions. These resulted from the collapse of Finnish trade with Russia, coinciding as it did with a trough in the paper and pulp industry cycle.

A more telling sign of the new times in the region was the Swedish central bank's draconian decision to raise lending rates to the banks by 6 percentage points shortly after the markka devaluation. This helped to restore overseas confidence and stem a dangerous outflow of capital from Sweden, but it also underlined the fragility of the more open financial system within which the Nordic countries must operate. "We live in a tightly integrated global financial village", explains Mr Dennis.

Nordic financial institutions have little time to adapt to further external pressures. On January 1, 1993, the European Community's single market comes into effect and with it the free movement of capital as part of the 19-nation European Economic Area (EEA).

The extension to the Nordic area of the EC's second banking directive is also designed to stimulate more competition. A single banking licence will entitle any financial institution to operate in the EEA market based only on the authorisation of its home country.

Supervision of the activities of financial institutions, including day-to-day activities, as well as financial solvency, will take place where it is incorporated and not where it operates. The principle of mutual recognition will also be applied so the respective host countries' authorities will recognise each other's authorisation and supervision.

The second development that will certainly make an impact on the Nordic region by the end of this year is the implementation of the banking capital adequacy requirements of the Basle-based International Banking Settlement. *Only in Norway does there* seem likely to be any difficulty in meeting this stipulation.

But beyond those pressures lies the wider and murky issue of European economic and monetary union.

All the Nordic countries (even divided Norway) are intent on joining the EC by 1995 but so far the debate about monetary integration has hardly gone further than the preliminary stage.

However, enough has happened over the past year in the Nordic banking and investment scene to suggest there will be no return either to the heady atmosphere of the late 1980s or the semi-isolation that lasted for nearly half a century. Instead, there is likely to be a confusing mixture of consolidation and competition.

The Nordic countries used to be renowned for their belief in moderation, consensus and stability but recent banking problems suggest they have lost their sense of balance.

What is needed more than ever is the revival of older virtues. They provide the best guide for the Nordic countries as they seek to adapt to the arbitrariness of the open global financial system.

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☐ *Editorial production: Phil Sanders*

SWEDEN: Nordbanken is beset with bad debts

Deep-rooted troubles

NORDBANKEN, Sweden's loss-making state-controlled bank, has been more badly hit over the past year by credit losses than any of its main competitors and it is unlikely it will make a full recovery until 1994 at the earliest. "We have had a turbulent 12 months, admits Mr Jacob Palmstierna, vice-chairman.

In 1990 the bank's bad debts soared to about SKr10bn and Nordbanken believes they will "continue abnormally high" in 1992 and that 1993 will also be a difficult year.

Sweden's centre-right government would like to privatise the state's 70.6 per cent stake in Nordbanken but the bank's leadership will need to resolve its troubles before such a move seems possible.

Nordbanken's overall financial target is to maintain over one business cycle "a return on adjusted shareholders' equity of 17 per cent after standard tax" and ensure a capital adequacy of "well over 8 per cent".

The current leadership was installed at Nordbanken in January 1991 when the then Social Democratic minority government appointed the deputy chief executive at Skandia insurance company, Mr Hans Dalborg, as chief executive with Mr Bjorn Wahlstrom, head of Svensk Stal AB, the state-owned steel company, as its chairman.

The dramatic changes at the top of Nordbanken followed the revelation that it expected to suffer SKr3bn of credit losses in 1990. In fact, the losses turned out to be much higher at SKr4.2bn and ensured a sharp fall in the bank's profits for that year to a mere SKr1m – down from SKr3.2bn in 1989.

The Dalborg-Wahlstrom regime appeared to make an impressive start in the early part of 1991. A cost-saving programme was launched and jobs were cut through a rationalisation of the bank's structure. An intensive care unit was created to recover outstanding loans. And in a move decided to show just how seriously the bank was taking its difficulties, it was decided not to pay a dividend.

As a result, during the first four months, Nordbanken saw its operating profits climb by 59 per cent to SKr471m. But this proved to be a false dawn. Indeed, the bank was already warning at that stage about the remorseless rise in its credit losses which it said could reach SKr3.6bn for the whole of 1991.

The magnitude of the troubles was highlighted last August with a crisis at Nobel Industries, the chemicals and defence group. Nordbanken intervened to save Nobel and agreed to inject SKr2bn of equity – and 13 other banks also chipped in with SKr2.7bn in preference capital. But last month Nobel's board said it was seeking repayments of SKr1.92bn – made to help the bank consortium in its rescure operation – and Nobel's owner claimed SKr3.8bn in damages from the banks over the affair.

Last autumn, the Nobel crisis took its toll at Nordbanken. At the end of September it reported a SKr4.6bn deficit in its first eight-month financial results, with credit losses soaring to SKr8bn. It became the first Swedish commercial bank to go into deficit and it predicted that credit losses for the year as a whole would amount to SKr9.5bn. This was the largest in the country's banking history and amounted to 3.5 per cent of total lending volume. The bank also said it had SKr15bn worth of non-performing loans on its books for credits granted between 1988 and 1990 to finance, property and investment companies.

The Swedish government agreed last October to help out the bank by subscribing and guaranteeing SKr5.2bn in a new share issue at SKr20 per share, enabling it to meet the 8 per cent capital adequacy requirement made by the Bank of International Settlements for the end of this year.

The troubles at Nordbanken have proved to be much more deep-rooted than at first realised: a painful legacy from the period of frenetic competition for customers that followed Sweden's deregulation in the second half of the 1980s.

The bank itself was only formed in June 1990 as a merger between state-controlled PKbanken and its smaller provincial competitor Nordbanken. This followed a period of aggressive expansion by PKbanken as it tried to boost its profitability by widening its business beyond its traditional base of small savers and lending to local government authorities to cover real estate and high finance. PKbanken harboured dreams of competing alongside SE Banken and Svenska Handelsbanken for business volumes, but its credit growth proved to be excessive.

"With hindsight you can say the bank grew too rapidly", says Mr Palmstierna. He also believes that while PKbanken's SKr6bn purchase of Nordbanken was "structurally and strategically correct, the price was exorbitant".

Despite its current travails, Nordbanken believes it can reach its financial targets by 1994. In its prospectus for last year's new share offer it emphasised a number of its underlying strengths. The bank argued that it was now following a restrictive credit policy; that its earnings capacity was good and stable before credit losses; and that its cost-cutting measures had improved efficiency.

Nordbanken does have a unique distribution network with not only 230 branch offices in Sweden but also the use of 2,000 post offices in co-operation with Swedish Post. "As many as 4m Swedes are our customers", says Mr Palmstierna.

The bank also believes that the fact that the state is majority owner will affect favourably the creditworthiness of the bank.

But there are also a number of imponderables that cast a shadow over Nordbanken. Not least is the duration of Sweden's current recession and the impact this is having on the bank's customers. Despite the general sense of crisis in Swedish banking at the moment, it is also possible that the bank may lose its present dominant position in the country's large public sector as its rivals compete for business in a more bracing financial climate.

What Nordbanken really needs is three years of quiet consolidation and back to basics like so many other banks in the Nordic region. But the hang-over period could well last longer at Nordbanken than perhaps with the others.

"The balloon that was blown up during the carnival years of the 1980s has burst", declared Mr Dalborg, the bank's chairman, last autumn when announcing the bank's unexpectedly large deficit for the first eight months of 1991. It looks like taking plenty more blood, sweat and tears to restore its credibility. However at least we will know when Nordbanken has returned to good health: that will be the moment when the Swedish state decides to privatise it.

Robert Taylor

PROFILE: S-E BANKEN

Trying times

MR Bo Ramfors has the look of a man who would like to put the recent past well behind him and push on fast. The two years that he has spent at the helm of Skandinaviska Enskilda Banken, Sweden's largest commercial bank, have been particularly trying.

He has been thwarted in his plan to create a giant Swedish banking and insurance group by merging with Skandia, the Swedish insurance group. At the same time, he has witnessed a dramatic increase in the bank's credit losses as the Swedish economy has plunged into recession.

To cap it all, S-E Banken had its long-term debt rating lowered from AA to AA- by Standard & Poor's in February 1992, reflecting concern over the bank's deteriorating asset quality.

The Skandia affair, played out over several months, has been a serious setback for the bank and has cost it dearly. Back in October 1990, S-E Banken paid SKr4.7bn for an option on 28.2 per cent of the shares in Skandia, acquired from three companies: Investor and Providentia (the Wallenberg family investment companies which were in need of funds at the time) and Marieberg, the publishing group.

S-E Banken, which is linked with the Wallenbergs, wanted to form a large banking and insurance group. Mr Ramfors, S-E Banken group chief executive, says: "If S-E Banken and Skandia had merged, together we would have had about 25 per cent of the Swedish savings market" including bank accounts, collective funds and life insurance, and managing assets of SKr500bn-600bn. His aim was to sell life and non-life insurance products to a wider customer base through the bank's large branch network.

Skandia – which has already established a series of cross-holdings and co-operation agreements with insurance companies in the Nordic region as part of its plan to establish a pan-Nordic insurance group – said it could see no overall benefits for its shareholders in linking up with S-E Banken.

Although Skandia admits there are advantages to selling life insurance products through a bank network, it had reservations about what would happen to its non-life insurance business as a result of the merger. "We don't have proof that selling non-life (insurance) through a bank is a success", says Mr Johan Bergenstjerna, head of Skandia's corporate office.

So S-E Banken was snubbed in its wooing of Skandia, and was forced to sell most of its share option – at a loss of SKr415m – to Hafnia, the Danish insurance company, and Uni Storebrand, the Norwegian insurer, keeping only 4.9 per cent itself.

Mr Ramfors says now that despite the cost of SKr415m he has "no regrets" about the saga.

Mr Gerard de Geer, who was chairman of Enskilda Securities in Sweden and Banque Scandinave in Geneva, and who was involved in the Skandia deal as a member of the bank's executive committee, decided to leave S-E Banken. Part of the reason, bank sources indicate, was that he was disappointed because the bank did not push harder to merge with Skandia. He was also understood to be disappointed that plans to fully merge Enskilda and Banque Scandinave were eventually abandoned for tax and legal reasons. S-E Banken is now building up its own insurance operations.

While the problems over Skandia are unique to S-E Banken, the other blow it has suffered – its huge credit losses – are familiar to many other Swedish banks, and result from the combination of a deregulated banking environment, the economic downturn, and in some cases, rather lax credit controls.

For years, Sweden's banks suffered restrictions on their lending, pricing, foreign exchange and foreign payments. Then, during the 1980s, Sweden's financial markets were deregulated and the commercial banks enjoyed a surge in profits. "Suddenly, overnight, we could lend as much money as we wanted," says Mr Ramfors.

The economy boomed and property and stock prices surged, helped by easy credit. However, now that property prices have collapsed, many of the Swedish banks are regretting their over-exposure to the real estate sector. "With the benefit of hindsight, the banks should have been more careful, they should have realised they were too exposed to property," says one banking analyst.

S-E Banken had to make loan-loss provisions of SKr4.76bn in 1991, compared with SKr1.95bn in 1990. These included a SKr352m loan-loss provision for finance company Gamlestaden, and combined loan-loss provisions of SKr1.1bn for Avena and Reinhold, two troubled real estate groups. These three companies account for about 30 per cent of S-E Banken's loan-loss provisions. Small and medium-sized companies account for about 60 per cent.

As a result of these credit losses, S-E Banken's operating profit fell by 30 per cent to SKr2.33bn last year, from SKr3.31bn in 1990. Yet the bank's profit before provisions actually increased by 30 per cent from SKr5.46bn to SKr7.09bn in 1991, helped by cost-cutting measures and increasing net interest margins.

Operating profit should continue to rise this year but Mr Ramfors expects further fall-out from the property sector. In other words, the outlook for 1992 remains gloomy.

Sara Webb

New savings bank established

Serious competitor

THE finishing touches are being put to a new bank which is set to become the largest in the Nordic region when it opens its doors for business at the beginning of next year.

To be called provisionally Sparbanken Sverige AB, but known as Swedbank abroad, it will unify the country's larger and medium-sized savings banks in one organisation. The conglomerate will have assets totalling SKr540bn, at least 3m customers and will employ 14,000 staff in 785 offices. The new enterprise will account for as much as 90 per cent of Sweden's savings bank business.

It will become a joint stock company and Mr Goran Collert, who will be head of the bank and is now president and chief executive at Swedbank, hopes that it will be listed on the Stockholm bourse, perhaps by the end of next year at the earliest.

"We are going to be a strong player as a full service bank in Sweden", says Mr Robert Stenram, head of the London branch of Swedbank and executive vice-president. He points out that Swedbank already accounts for 34 per cent of the mutual funds business in Sweden, 30 per cent of long-term mortgage financing, 20 per cent of foreign exchange trading and half the Swedish market in domestic credit cards.

The emerging giant should at least bring some semblance of order to the confused and fragmented Swedish savings bank scene by bringing together all 10 regional savings banks who account for three quarters of Sweden's savings bank activities, Sparbankerna's bank and the ailing Forsta Sparbank. However, about 90 other small local savings banks will continue to operate outside the new body although they will have working agreements with it.

The catalyst for change in Sweden's savings banks has mainly come from the huge rise in credit losses due to bad real estate and stock loans suffered by a growing number of the banks.

This was highlighted most dramatically last October when Sweden's new centre-right coalition government was forced to bail out the Stockholm-based Forsta Sparbanken by giving it an unconditional guarantee for a SKr3.8bn loan from Sparbanken's gruppen AB, the federation of regional savings banks. Forsta Sparbank had revealed it made a pre-tax loss of SKr3.1bn for its first eight months of the year and the bank estimated its full-year loss would be about SKr4bn. Its loan losses had climbed to an astronomical SKr4.5bn, 10 per cent of its outstanding loans, while the bank said it had doubled its loan portfolio between 1987 and 1990 to nearly SKr45bn outstanding.

Last autumn's disaster at Forsta Sparbanken has helped to create an understandable sense of crisis and forced Sweden's savings banks to recognise that if they want to survive and prosper they need to accept closer integration to deal with the problems of financial viability, shortage of capital and a possible lack of confidence in them by their customers.

In fact, Sparbankerna's bank boosted profits by 21 per cent last year to SKr1.03bn despite credit losses of SKr1.11bn.

The coming merger is certainly an obvious way of ensuring a better utilisation of resources for all the savings banks involved. It has been estimated there could be savings of up to SKr2bn a year as a result of rationalising the savings bank sector. Economies of scale – it is being argued – could also help to improve the range and quality of services on offer and strengthen the bank's international activities.

One point, however, that the new bank's customers will be glad to hear is that it promises to be prudent and concentrate on basic services. The days of pan-Nordic dreams are over even for an organisation that looks like becoming a serious competitor for Sweden's existing commercial banks.

Robert Taylor

□ FINLAND: BANKING

Opportunity for much-needed reforms

MR Christopher Wegelius is famous on two fronts in Finland: as a world-class equestrian and as head of Skopbank, the clearing bank for Finland's savings banks.

While Finns talk proudly of the show-jumping prizes which he won, it is in banking that he came a cropper after Skopbank foundered in the worst banking disaster in Finland's post-war history.

Mr Wegelius rose from managing director to the position of chief general manager and chairman of the board at Skopbank in 1990. The bank already had a reputation for its aggressive buying and selling of its minority shareholdings in Finnish companies. However, Skopbank's luck ran out with its exposure to Tampella, a loss-making forestry group which the bank had hoped to return to profit.

Skopbank was hit by losses on its share portfolio, and the Bank of Finland was forced to step in and supervise a FM1.8bn injection of capital by the savings banks to cover Skopbank's potential losses in November 1990.

"In the end, that wasn't enough and the situation grew worse" admits a Bank of Finland official. Skopbank faced an acute liquidity crisis as its interbank lines were cut. In September 1991, the Bank of Finland took control in an attempt to limit the damage to Finland's reputation in the international financial markets. "The central bank simply had to take over Skopbank – it was worried about how Skopbank's collapse might affect Finnish borrowers in the international capital markets," says Mr Jyrki Laakso, head of the international department at the Finnish Bankers' Association.

"If Skopbank had faced a very serious funding problem it could have spread to affect the whole of the Finnish banking system," says Mr Kaarlo Jännäri, the new chairman and chief executive officer at Skopbank where he is on "temporary leave" from the Bank of Finland.

Mr Jännäri was head of the Bank of Finland's financial markets department, monitoring risk in the banking system, but took over after Mr Wegelius resigned and the Bank of Finland came to the rescue.

The Bank of Finland set up three separate holding companies: one owns the shares in Skopbank itself; a second, Solidium, contains all of Skopbank's shareholdings and outstanding loans to Tampella; and the third, Sponda, contains Skopbank's largest real estate holdings.

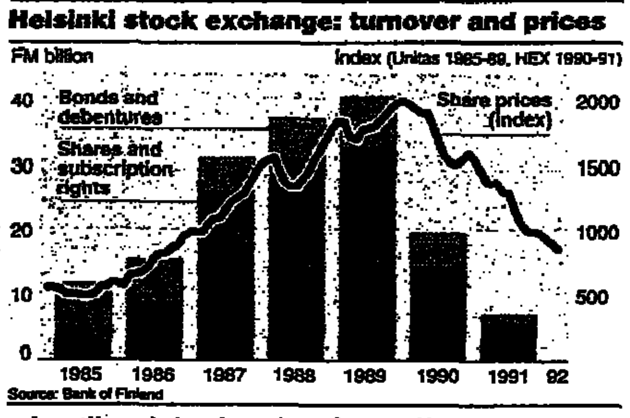
Today, the Bank of Finland is the majority shareholder of Skopbank with 52.9 per cent of the share capital and 63.6 per cent of the voting power. Finland's savings banks, who between them used to control 78.6 per cent of the share capital and 91.7 per cent of the votes, have had their total holding reduced to 37.1 per cent of the share capital and 33.4 per cent of the votes.

The remaining shares (formerly corresponding to 21.4 per cent of the capital and 8.3 per cent of the votes, but now representing 10.1 per cent of the capital and 3 per cent of the votes) are publicly owned.

The Bank of Finland is keen to find a new owner for Skopbank since the country's central bank can no longer be seen as wholly neutral in the money market while it has a controlling stake in a bank.

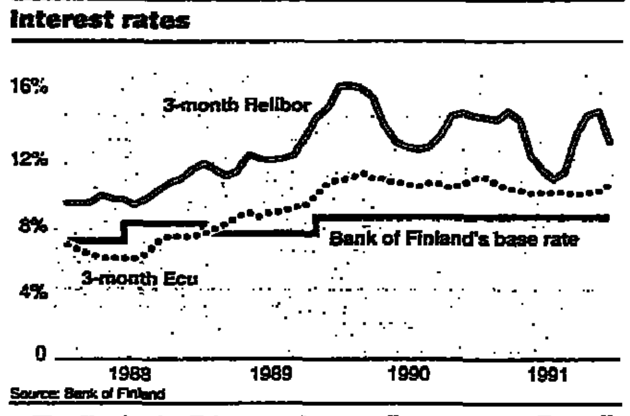
"Skopbank's main attraction is its links with the savings bank network," says one securities analyst. So far, three suitors have emerged: Union Bank of Finland, Okobank (the co-operative banking group) and Postipankki (the post office bank). The three are expected to submit their bids and outline their plans in March before serious negotiations begin.

Helsinki stock exchange: turnover and prices



Source: Bank of Finland

Interest rates



Source: Bank of Finland

For Union Bank of Finland, which has a strong corporate customer base and a large retail market concentrated mainly in the big cities, co-operation with the savings banks through Skopbank could provide it with a wider regional network. That could prove an advantage if Union Bank of Finland were to link up with an insurance group – as it is quite likely to do in future – since it would provide greater access for selling insurance products outside the main cities.

The co-operative banking organisation has traditionally been the sworn enemy of the savings banks outside the main cities. "Out in the countryside, the only banks you see are the savings banks and the co-operative banks as they have the largest regional networks, and that's where they fight their trench warfare," says one banker. He adds that while these two banking groups answer for about 60 per cent of Finland's total individual deposits nationwide, in the countryside their share is closer to 90 per cent.

Analysts believe that a link-up between the co-operative and savings banks would provide the opportunity for a much-needed rationalisation in an overbanked – and overstaffed – market. But merging co-operative and savings banks would not be easy, not merely because the two banking groups are so hostile to each other.

Legally it is impossible at present to merge the two kinds of banking structures, but that could change soon. A government committee is currently preparing new legislation which would enable savings and co-operative banks to merge or to convert into commercial banks.

Skopbank's other suitor is Postipankki, the state-owned post office bank. While Postipankki has only a few dozen branches nationwide, it has access to a wider market over the post office counters.

Bankers point out that Postipankki may be considering whether it would be cheaper to have its own network (in other words the savings banks) than to continue with its post office branch network.

The Skopbank affair erupted at a time when Finland's banks were facing terrible problems as a result of the recession and low interest margins, and the combination of these factors is prompting several changes in the banking sector.

For a start, there are plans to set up a state deposit guarantee fund. This would provide a back-up to the existing deposit guarantee funds (for the commercial, savings and co-operative banks) which each have between FM200m-400m available to bail out troubled members.

The central bank is keen to set up a new fund so that if a bank fails and uses up the appropriate deposit guarantee fund, the state can step in with the necessary money. The idea is that eventually the relevant group of banks would have to pay back the money to the state.

When it comes to exposure, bankers hope that risks will be reduced in future. The Bank of Finland criticises the previous Skopbank management for having a strategy which was "too risk-prone and speculative".

Skopbank's problem was its overall exposure to Tampella: Finnish banks are not allowed to own more than 10 per cent in a company, but Skopbank succeeded in circumventing those rules by building up its stake via associated companies.

Bankers are keen to adopt EC banking regulations which would allow a bank to own 100 per cent of a non-financial company, as long as it does not account for more than 10 per cent of the bank's capital.

"If this rule was applied in Finland it would be quite prudent," says Mr Jännäri. He argues that when the Finnish financial markets were deregulated in the mid-1980s, there should have been a simultaneous improvement in the Finnish banking supervision and regulatory legislation to fit the new environment, with particular attention paid to risk concentration and capital adequacy.

Already, the decline in banks' profitability stemming from the dramatic rise in credit losses has forced the Banking Supervision Board to introduce new reporting requirements. There are two main changes:

- Banks have to report large exposures twice a year, rather than once a year (as was the case before 1990); and
- Non-performing loans must be reported monthly, whereas banks did not have to report these at all before.

A non-performing loan is defined as one where there has been no interest payment for 90 days or amortisation.

"It was important to standardise the definition of non-performing loans because these grew dramatically last year," says Mr Risto Määttänen, deputy director-general of the Banking Supervision Board.

Although the market is not informed of the monthly figures, the banks do have to report their non-performing loans in their annual reports now, which is a new step.

"We can't change the economic environment, but the least we can do is be honest to ourselves and the public. There is not a single problem-free bank and we see it as a very dangerous situation as a whole" says Mr Määttänen.

Banking analyst Mr Roger Kempe of Evli Securities welcomes the changes which have been introduced so far. "The banking supervision has strengthened its grip and is demanding more information so that it has a stronger control over the banks," he says.

"Sometimes in the past, it seemed as though the banks didn't give out the information that was important, but now the rules have changed and the banking supervision has become very strict and demanding."

Currently under the control of the Ministry of Finance, the banking supervision may soon be placed under the wing of the central bank and given the task of supervising Finland's banking and insurance markets.

The latter are monitored by the Ministry of Social Affairs now, but it would make more sense to combine regulation of the two sectors under one roof to allow a more comprehensive monitoring of the markets.

Sara Webb

□ PROFILE: UNITAS

New structure could be key to expansion

UNION Bank of Finland's decision to reorganise its banking operations and equity holdings under a new parent banking group is seen as a wise move, possibly paving the way for a bold expansion in the insurance sector soon.

Finnish banks may only own up to 10 per cent of an insurance company, although a new law allowing banks to wholly-own insurers is expected to come into force in January 1993. In the meantime, there is nothing to stop a holding company from owning 100 per cent of a bank or insurance company, thus by-passing the 10 per cent restriction.

The new UBF structure consists of a parent banking group, called Unitas, with subsidiaries for the commercial banking operations and strategic holdings. If Unitas changes its status to that of a holding company, as is widely expected, then it would be able to acquire an insurance group and establish a more broadly-based financial services group without having to wait for the ownership law to be changed.

Mr Ahti Hirvonen, chairman of the Unitas board of management, says the bank's reorganisation was influenced by developments in Europe, where "the barriers between banking and insurance have been coming down."

He says: "Only a minor part of insurance is interesting to the bank, namely life insurance," adding that the group could expand in this area either by close co-operation with an insurance group, or by owning an insurer.

Mr Hirvonen believes that the new structure has other advantages, providing a clearer picture of how the different business areas perform under separate management. "It allows clear management and a clear picture of profits ... traditionally in Finland, banks have held substantial stakes in industrial companies and we feel it is better to separate responsibility between the commercial banking side and the long-term strategic holdings," he says.

As prices slumped in the Finnish stock market, Unitas had to write down the value of its equity holdings last year: it made a loss of FM70m on the sale of current asset equity holdings while profit on the sale of investment assets was FM33.5m compared with FM101.5m the previous year.

On the banking side, too, Unitas is facing difficult times. Last year, the Unitas group made a loss of FM128m before extraordinary items, appropriations and taxes, compared with a profit of FM 480m in 1990.

Like other Finnish banks, Unitas blames its poor performance on the recession and the low interest margins

Like other Finnish banks, Unitas blames its poor performance on the recession and the low interest margins following the deregulation of Finland's financial markets. Small- and medium-sized businesses in particular have been badly hit by the recession and many are no longer assured of a market in the Soviet Union following its disintegration.

"Soviet trade was very important for us as Finland exchanged consumer goods for Soviet oil. Finnish textile and clothing companies were particularly badly affected by the fall in Soviet demand for goods," says Mr Hirvonen. Meanwhile, the recession has taken its toll on companies in the property, construction and consumer goods sectors.

Group credit write-offs jumped 44 per cent in 1991 to FM1.092bn. Net interest income has fallen by FM252m to FM2.321bn because of low interest margins and the growth in non-performing loans, which amounted to FM5.718bn at the end of 1991.

One of the most frequent complaints among Finnish bankers is the fact that the bulk of their longer-term credits (particularly mortgages) are tied to the Finnish base rate while their funding costs are dictated by the more volatile money market rates. Money market rates rose sharply in the first part and autumn of 1991 and are much higher than the base rate.

Many bankers want the base rate's use as a measure for setting rates on loans to be phased out. However, they see little chance of this happening since the Parliamentary Supervisory Board of the Bank of Finland, which makes decisions on interest rate policy, consists of politicians who are reluctant to force up mortgage rates and upset the voters. As the majority of new credits tend to be granted at market interest rates, the proportion of loans tied to the base rate is gradually decreasing. For Unitas, 57 per cent of the loan portfolio was still tied to the base rate at the end of 1991.

"We are not satisfied with the 1991 results," says Mr Hirvonen, who retires next year and who will be replaced by Mr Vesa Vainio, currently president and managing director at the Finnish pulp and paper group Kymmene in which Unitas is a leading shareholder. Mr Hirvonen thinks bankers will have little cause to celebrate this year as loan write-offs will remain high and non-performing loans will continue to increase. "1992 will be difficult, but maybe towards the end of 1992 we can expect some upturn in the business cycle," he says, attempting a smile.

Sara Webb

□ SWEDEN: Financial services regulation

Rigorous checks

THESE are grim days for Sweden's Financial Supervisory Authority, the country's main financial services regulator. With the banking sector groaning under the strain of huge credit losses, the FSA has been forced to introduce more rigorous – and more frequent – checks on Sweden's financial institutions.

Combined credit losses among the banks, finance companies, mortgage institutions and securities houses grew by a staggering SKr30.3bn to SKr46.1bn in 1991. The banks account for the lion's share with SKr35.6bn in credit losses (equivalent to 2.9 per cent of total outstanding loans), compared with SKr10.8bn in 1990 and SKr2.8bn in 1989.

Concern over the scale of the credit losses, mainly in relation to the real estate sector where prices have plummeted, has prompted the FSA to introduce new reporting standards.

Lenders already had to outline details of large loans (those exceeding 10 per cent of their capital base) every six months and provide monthly balance sheet statements. Now, they also have to provide monthly details of their non-performing loans, defined as loans where there has been no interest payment for 60 days or a lower-than-agreed interest payment.

"The reporting of non-performing loans provides the regulators with a better view of the market," says one financial analyst who follows the Swedish banking sector.

In cases where real estate is used as security for a loan, the lender has to obtain independent professional valuations for the property. With effect from January 1992, these figures have to be published in the lender's annual report.

The feeling remains that many of the banks have been too reckless in their lending

The FSA points out that by requesting independent valuations for property used as collateral, the real estate is less likely to be valued too leniently in today's falling market, although Mr Kjell Arvidsson, head of the FSA's financial markets department, emphasises that none of the banks is in the situation of having to sell properties at present.

Nevertheless, the feeling remains that many of the banks have been too reckless in their lending. "They chased after borrowers irrespective of their creditworthiness as soon as the restrictions on lending were lifted during the second half of the 1980s," says one banking analyst.

The FSA says banks were not careful enough with their credit analyses in many cases, and did not make sure that the borrower was sound. In addition, some banks discovered subsequently that their back office work was so poor that when problems arose they had no idea whether they were legally in a position to take over property which they had assumed was their collateral.

So far, the problems have arisen mainly in the commercial real estate sector, but some bankers are worried that if unemployment continues to rise in Sweden, the incidence of private debt and mortgage defaults could rise sharply.

The outlook certainly remains gloomy. "As it looks now, there will be big problems, but maybe the market will have to take it," warns Mr Arvidsson.

Sara Webb

☐ DENMARK: THE BANKS

Lesson of the high capital ratio

DENMARK'S banking and other financial institutions are in a less worrying state than those in other Nordic countries. No leading banks have had to be rescued by the government, and the many smaller banks and savings banks which have found themselves in serious difficulties in the past few years have almost all been absorbed by larger colleagues without too much trouble.

Nevertheless, the banks are not earning enough for their long-term health. The average return on equity was under 1 per cent and in both 1990 and 1991 loss provisions averaged about 2 per cent of loans and guarantees.

Of the big four banks, which account for about 80 per cent of all bank business, the best performance was a 6.5 per cent pre-tax return on equity capital by the country's biggest bank, Den Danske Bank. The second-largest, the Unidanmark group, made a negative return of 9.6 per cent, while the Jutland-based Jyske Bank made a return of 0.8 per cent and Bikuben, flagship of the savings bank movement, reported a negative return of 0.04 per cent. It is generally accepted that the country has too many banks (with over 70 banks and almost twice as many savings banks), too many people working in them and too many branches.

As the opportunities for stepping up earnings by widening interest margins and charging higher fees and commissions are limited, the way ahead lies through cutting costs and reducing personnel.

The 1990 mergers, which turned the six largest banks into two super-banks, Den Danske Bank and Unidanmark (the name of the group holding company: Unibank is the name of the bank), paved the way for rationalising the branch network. Danske is reducing the network from 750 to about 550-600, Unibank from 700 to 500. Both banks will have slimmed employment by 10 per cent by the end of this year as compared with the pre-merger levels.

Danske, however, has recognised that the preliminary cost-cutting exercise was not sufficient. It announced last month that it would reduce staff by 20 per cent, from 15,000 to 12,000, over the next three years, setting the pace for the rest of the banks.

The large insurance-based groups, Baltica, Hafnia and Topdanmark, are not performing well either, and this is not primarily a reflection of the results of the core insurance business. Shareholders are paying the price for adventurous managements, and criticism is rife of the failure of supervisory boards to keep a tighter rein on managements.

Baltica and Topdanmark's managements were gripped in the mid-1980s by an urge to diversify their operations into banking, real estate agencies, vehicle rescue operations and even travel bureaux. None of these activities has been a success, and some have caused considerable losses while occupying valuable management resources.

Hafnia has stuck more closely to the business with which it is familiar, but its earnings and financial position have been adversely affected by an unsuccessful attempt to gain control of Baltica by buying up a third of the equity and also by its heavy investment in Sweden's Skandia. The costs of these investments will be reflected in a substantial loss when the 1991 results are published.

The investment in Baltica followed an attempt at an agreed merger between the two largest Danish insurers. It fell through because the two chief executives could not agree who should become top dog. "In companies which are properly run, the chairmen of the supervisory boards would have arranged the merger first and dealt with the personality problems last, and would not have left the fate of the negotiations to the chief executives," commented one of Denmark's most experienced bankers.

The good news is that Denmark's bond-issuing mortgage credit institutions, which play a leading role on the financial scene, seem to have come through a troubled period, caused by falling property prices and new reserve and loss provision requirements, and can now look forward to quieter and more successful times. Both the largest institutions, Kreditforening Danmark and Nykredit, were back in profit in 1991. They expect to stay there.

Danish bankers and officials have a number of explanations as to why the country's banks have survived the past few years with fewer troubles than their Nordic colleagues, even though the Danish recession, which began in 1986-87, was just as steep as in the other countries. Above all, the capitalisation ratio at Danish banks has always been high. The minimum legal capital ratio has been 7 per cent since the 1930s. The definition was even tougher than the figure suggests, as became apparent when the new BIS rules were applied to the Danish banks: the average capitalisation ratio under BIS rules turned out to be 13.6 per cent. It now averages 11.2 per cent and the legal minimum ratio is, for the time being, 10 per cent.

For years, the banks complained that the capitalisation ratio placed them at a disadvantage internationally. "But", said Mr Sten Rasborg, chief general manager of Unibank, "We have subsequently had to thank Mr Erik Hoffmeyer, governor of the National Bank (central bank), for maintaining the high ratio."

Other factors which helped the Danish banks include the gradual liberalisation of the financial markets over a long period, starting in the early 1970s; an economic crisis in the early 1980s, including declining property prices, which gave the banks and the authorities valuable experience when they faced new problems in the late 1980s; and efficient supervisors with a long history of assessing the banks' big risks, which meant that the banks' asset quality was relatively sound.

Times are still not easy, but the economy is staging a slow recovery and the banks generally expect to see bad loss provisions fall to more manageable proportions in 1992-93.

Hilary Barnes

☐ THE RIVALS: Danske Bank vs Unibank

A clear contrast

DEN Danske Bank shocked the Danish public in February when it simultaneously reported a sizeable DKr1.3bn profit and announced that it was going to cut its staff by 20 per cent from 15,000 to 12,000 over the coming three years.

It gave staff three months to consider offers of redundancy payments or, alternatively, face the risk that some of them would be dismissed.

Danske, the result of a merger in 1990 of the former Danske Bank, Copenhagen Handelsbank and Provinsbanken, has established itself firmly in the lead as the country's biggest bank, with a balance sheet total of DKr363bn to the Unidanmark group's DK263bn. Unidanmark is the result of a 1990 merger between Privatbanken, SDS and Andelsbanken.

The announcement of staff reductions, however, was in keeping with the disciplined culture of the bank. It is a culture which is reflected in a cautious lending policy, a conservative loss provisions policy, and a policy of sticking to doing what it knows best. It has avoided grand alliances, either with banks in other countries or with non-bank financial institutions, such as insurance and mortgage credit associations, at home.

The bank has not ignored the potential from insurance and mortgage credit business, but is proceeding cautiously. It has a pilot project together with the Hafnia insurance group for selling standard accident policies from bank branches. It has set up its own life assurance company to help it attract long-term savings, and it is offering bond-backed, fixed interest mortgage credit to its own customers.

There is a clear contrast between Danske and its rival. Unibank accepts bigger risks. It has, for example, a larger portfolio of property-related loans than Danske, and these go some way to explaining why the bank increased provisions to DKr5.4bn in 1991, some 3.1 per cent of loans and guarantees. "Asset quality" was given as a reason when Moody's, the US rating agency, announced in February that it was reviewing Unibank's Aa2 long-term credit rating. Standard & Poor's also has Unibank under review.

A few days before publishing its 1991 results, Unibank announced a strengthening of its central credit control function. The purpose is to provide a better overview of the credit policies of its four divisions (domestic banking, merchant banking, trade and international divisions).

"We have introduced slightly more distance between the sellers of credit and the credit assessment function," said Mr Steen Rasborg, Unidanmark's chief executive.

The measure was announced in an eight-page internal paper to all employees, a paper which also suggested that any employees, at whatever level, who found difficulty in accepting management decisions should reconsider their position with the bank.

The climate and morale among employees is excellent, explained Mr Rasborg, but the merger process had inevitably left a few people dissatisfied, including one or two who aired their views in the media. "All we are saying now is that we don't want to hear any more complaining," said Mr Rasborg. Unibank believes in alliances. It is involved in the Scandinavian Banking Partner alliance with Den norske Bank and Skandinaviska-Enskilda Bank and it plans to become part of a gigantic financial services group together with mortgage credit association Nykredit and Tryg, the insurance company. Nykredit and Tryg have already merged under a holding company. Danish legislation has so far hindered Unidanmark from joining them, but Mr Rasborg says that when the European Community's fifth company law directive comes into force, Danish law will have to be amended to permit the tie-up.

The reason for Danske's decision to reduce its staff so substantially is found in the bank's meagre net interest earnings and earnings from fees and commissions, which declined from DKr10.22bn in 1990 to DKr9.82bn in 1991m. Earnings per krone of operating expenses fell from DKr1.64 to DKr1.54 compared with DKr1.58 for Unidanmark.

Looking ahead, said Mr Knud Sorensen, chief executive, budgets showed that this was an unsatisfactory level of primary operating profits, requiring action to ensure that profits return to a more satisfactory level.

"We want to see sound basic earnings," he said. Earnings per krone of costs should be Dkr1.75-2.00, putting them in line with the performance of the more profitable Swedish banks, he told the Financial Times. The planned staff reductions should mean an improvement in earnings of DKr800m-900m, he said.

The other large banks, including Unibank, managed to increase net interest and fee income last year.

Among explanations put forward by Mr Sorensen for Danske's relatively poor performance on this count were that the relatively high quality of the lending portfolio may be reflected in the prices that the bank can take; tough competition for corporate sector loans in a market which increasingly international; failure of the economy to grow significantly; and the decline of the retail market, which now accounts for about 25 per cent of lending compared with 40 per cent a few years ago.

This latter point reflects the fact that low inflation (only 2.5 per cent in 1991) and changes in the income tax regime have made saving worthwhile and borrowing much less attractive than it used to be, which has helped turn Denmark's long-standing deficit on the balance of payments current account into a surplus but has significantly changed the climate in which the banks must operate.

Where Danske managed to pull ahead was on its provisions, which were reduced to DKr2.88bn, or 1.45 per cent of loans and guarantees, from DKr4.25bn in 1990, when the figure was inflated partly by the process of bringing the provisions policy of the three merging banks into line with each other.

Hilary Barnes

☐ PROFILE: PFA PENSION

For the customers

MR Andre Lublin, managing director of PFA Pension, Denmark's largest private pension and life assurance group for corporate pensions, shoots out questions about his rivals, which are not entirely rhetorical, with the speed of a machine gun.

"Who are they serving? Their shareholders? Their staff? Their customers?". As to his own company, he has not a moment's doubt. The first thing he points out is that his group's share capital is precisely DKr1m and the articles of association prevent it from paying more than DKr50,000 in dividends.

The implication is clear: anyone who has a policy with a company paying hundreds of millions in dividends to shareholders should think again.

"We exist for our customers," says Mr Lublin, "We have the highest yield, lowest cost, and lowest prices for insurance cover. And we give the best service."

PFA Pension was founded in 1917 jointly by a group of employers' associations and salaried staff associations, which explains its special structure with a minimal share capital and its complete dedication to its customers.

Modesty is not Mr Lublin's style – at least, not when he is talking about PFA Pension. But he has something to boast about. It is arguably the most successful Danish financial institution of the past decade.

Under Mr Lublin's stewardship, it has grown fast, and growth has come by winning a rising market share, not by acquisitions. PFA has shunned diversification into other types of business.

Its market share has increased from 20.1 per cent in 1988 to 24.5 per cent in 1991. Premium income increased by DKr700m to DKr4.06bn in 1991, while income for its chief rival, Danica increased by DKr250m to DKr4.37bn. Owned by Baltica, Danica is the result of a merger of Baltica's life and pension business with the former Statsanstalten, which until privatisation in 1990 was a state fund. Mr Lublin is confident that in 1992 PFA Pension will pass Danica.

PFA tops the yield league for life and pension savings companies, with a 1990 yield of 13.60 per cent, reduced to 8.50 per cent by a special Danish tax on pension and life assurance savings. The group's costs are only 6 per cent of premium income, a low figure by any standards. One reason for the low costs is that PFA deals with corporate and group pension and group insurance for relatively low-risk people. Companies which cater for the individual market think Mr Lublin is a little unfair when he points out that their costs are much higher than his.

PFA's position as one of the largest money silos in Denmark, with total assets of about DKr55bn and an investment budget of more than DKr5bn in 1992, makes it an interesting target for international investment managers. The Danish life and pension funds only began to invest in foreign securities in 1989. The sums invested abroad are now quite substantial.

In 1992, PFA will place about DKr300m in foreign equities out of a total budget for equities investment of DKr700m. About DKr500m will go into foreign bonds. The aim is to increase the share of the investment budget going into non-Danish securities from 15 per cent at present to 20-25 per cent within a few years.

Hilary Barnes

□ NORWAY: Banks have been doing badly, reports **Karen Fossli**

The losses mount up

LAST YEAR Christiania Bank, Den norske Bank and Fokus Bank, Norway's top three commercial banks, posted combined net losses of NKr16bn, a four-fold increase on 1990.

Combined losses on loans and guarantees shot up to NKr13.35bn from NKr8bn, as *net interest income* dipped to NKr8.58bn from NKr9.56bn.

However, last year's losses were not restricted to commercial banks. The savings banks sustained losses on loans and guarantees in 1991 of NKr4.17bn, or 2.07 per cent of assets, compared with NKr4.54bn in 1990 and NKr4.75bn in 1989.

Combined savings banks' operating losses rose to NKr1.96bn last year, or 0.97 per cent of assets, from NKr1.08bn in 1990 and NKr580m in 1989. Sparebanken Nor, Norway's biggest savings bank, known internationally as Union Bank of Norway, saw net losses increase by NKr188m to NKr806m. Although loan losses were reduced by NKr123m to NKr1.54bn, non-performing loans swelled to NKr3bn from NKr2.3bn, representing a loss of NKr100m in interest income alone.

The state-backed Bank Investment Fund – which is different from the state-backed Bank Insurance Fund (BIF) – agreed to invest NKr700m in a convertible bond as part of a deal in which Sparebanken Nor will acquire Sparebank Kreditt, a mortgage company.

This is the Investment Fund's first placement since it was set up last autumn. Separate plans call for the Investment Fund to guarantee full subscription of a preferential share issue to be launched by DnB as part of a deal in which it acquired Realkreditt, a mortgage group.

The commercial banks face new problems as well as lingering ones such as soaring costs and dwindling earnings. In a long uphill struggle to improve earnings, they have suffered draconian demands from the state, their new owner, as they are under-capitalised in an over-banked market.

Some of the difficulties, however, are more of a psychological nature, arising out of their new "national" status. There is a trend for customers to be less willing to service loans after the state last year transferred large sums of money – about 1 per cent of mainland GDP – to prop up the banks.

According to Mr Tormod Hermansen, chief of BIF, with the knowledge that the state has injected taxpayers' money into the banking system, customers think they may be paying for the banks' sins twice.

Another problem – which the banks can do little to influence – is the structure of the industry. Until now there has been muted political discussion about this. "Norway's policy... is based on an implicit commitment to maintain three big commercial banks. This policy is 10 years old and outdated," one banker points out.

Some banks would like a political consensus allowing one or two strong banks to emerge with agreement on market share based on an implicit understanding that foreign competition will increase in the 1990s.

The Norwegian Banks' Association estimates that if a joint giro payment system was used by the commercial banks, savings banks and the post-savings bank, annual savings of NKr1.5bn could be achieved. In the meantime, the banks' earnings potential continues to be obstructed by the effects of Norway's recessionary economy.

Unemployment, including those on government training schemes, is nearly 9 per cent, a post-war record, and there are bankruptcies, commercial and private, continue to set new records. Commercial bankruptcies rose by 29 per cent in 1991.

The value of real estate, the main source of the banks' collateral for loans, has dropped in the past five years by an estimated 40 per cent, forcing the banks to make big write-offs against accounts. During 1987-91, housing investment was halved as households struggled to reduce indebtedness. Fixed investment in the mainland economy since 1987 has plunged by 35 per cent. The Central Bureau of Statistics sees 1.6 per cent growth in mainland economy GDP this year while investments may rise 7 per cent by 1993, from minus 2 per cent in 1991-92.

According to Christiania Bank, a further decrease in investment in commercial property is expected in 1992, but by 1993 the fall may level off.

The top three are also struggling to stem continuous rises in non-performing loans, which reached NKr25.8bn by the end of last year, up NKr2.6bn since the end of 1990.

The banks have general loan loss reserve funds called "en bloc" funds. For the three banks, at the end of 1991, combined loan loss reserve funds were NKr6bn, compared with NKr4.1bn at the end of 1990. However, in terms of capital adequacy there is no legal Norwegian definition of the reserves to determine whether they count as core capital, tier capital or if they are neutral.

"If these reserves are included in defining the capital adequacy of the bank, it would overstate the solidity of the banks," says one banker.

Norway's banking system saw state transfers of close to NKr20bn last year, but the banks need additional capital. Fokus Bank says that it expects the BIF to provide fresh support in 1992 while Christiania Bank estimates it needs NKr2.5bn just to meet new capital adequacy requirements. Analysts believe the bank would be better off if it got more than NKr5bn.

Further state transfers of between NKr5-10bn are not being ruled out for the ailing banks. But DnB says that it *has no plans to make a new* call on the BIF.

In the struggle to reduce costs, the three banks have cut 3,436 jobs since 1989 to a total of 13,292. In the last three years operating costs by the three amounted to NKr31bn. DnB is the only one of the three which has managed to reduce operating costs. Since 1989 these have fallen by NKr370m to NKr4.97bn at the end of last year. Christiania's costs rose by NKr700m in the period while Fokus saw a NKr290m increase.

Mr Hermansen believes it may take up to four years before the banks make sufficient earnings to service their equity capital on a stable basis. By that time they will face a new competitor; this year the government plans to establish a post bank.

□ THE BANKING SYSTEM

Beleaguered and disfigured

NORWAY'S beleaguered banks, disfigured by successive record annual losses, are glad to see the back of last year. But 1992 holds little promise for any big improvement.

Last year, Norway was *forced to virtually nationalise* its banking system. Christiania Bank and Fokus Bank, respectively the second and third biggest banks, saw their share capital wiped out while *Den norske Bank (DnB), the* biggest, was barely saved from technical insolvency by a complex re-capitalisation bail-out orchestrated by the state.

However, Mr Hermod Skaanland, *governor of the central* bank, issued a warning last month when he said that the crisis within the banking system would not be solved until the banks were in a position to raise capital in the private market on a commercial basis.

"The state's engagement (in the banking system) must be wound down as soon as possible," Mr Skaanland said in his annual speech on the state of the domestic economy.

In 1991, the Oslo bourse's bank sub-index saw prices plummet 79 per cent. After deregulation in the 1980s, which fuelled competition among the banks bordering on the extreme, they became prey to a euphoric expansion in the Norwegian economy and among themselves which has ended in dispiriting declines.

According to the Norwegian Banks' Association, combined net losses by the commercial banks, its members, last year hit NKr15.882bn – a near four-fold increase from 1990 when they were NKr4.3bn. In 1989, losses were just NKr326m.

Credit losses last year soared to NKr12.362bn, up from NKr8.221bn in 1990 and NKr7.407bn in 1989. But the picture is even worse if the savings banks and secondary finance institutions are taken into account.

According to the Banking Insurance and Securities Commission (BISC), the country's finance watchdog, combined credit losses accelerated to NKr19.8bn in 1991, up from NKr12.3bn in 1990, while operating losses increased to beyond NKr17bn from NKr6.5bn in 1990.

"The problems within the banking system have seriously rocked the political establishment," said Mr Arne Oeien, former Labour oil minister, *who is now secretary-general* of the Finance Ministry.

Mr Oeien forms half of a dynamic duo – his partner is Mr Tormod Hermansen, chairman of the year-old state-backed Bank Insurance Fund (BIF) – responsible for designing last year's big bank rescue package and overseeing the state's new bank acquisitions.

BIF was allocated state funds of NKr11bn in 1991 to help prop up the banks but the fund has been reduced to about NKr500m-NKr600m by calls made upon it. Christiania Bank and Fokus Bank have warned that they will need additional state appropriations if new capital adequacy rules are to be met by the end of the year. Christiania alone says it needs NKr2.5bn just to abide by the new rules which are based on the Bank for Interna*tional Settlements (BIS) stan*dards.

Mr Oeien is more optimistic about the future of the banks than Mr Hermansen who believes that it will take the rest of this decade before the their health can be restored to allow profitability and growth which in turn can fuel private investor interest.

"Norway's banking industry is in a very deep crisis which has proven to be worse than feared and will last longer than what many people are willing to believe," Mr Hermansen said recently.

His pessimistic outlook is based in part on his forecast of a lack of solid growth within the Norwegian economy until the end of the 1990s and the necessity for a big restructuring of the banking industry which has yet to take off.

Mr Oeien believes there is a good chance that further state appropriations to DnB may not be necessary in 1992.

Last year, Norway's taxpayers and the bank's own security funds coughed up close to NKr20bn to prop up the ailing banks through subsidised loans and state cash transfers. Christiania Bank, which the government had sought to sell, but failed, required NKr7.864bn alone. Fokus and DnB also had massive support.

It still remains unclear if the ownership of Christiania Bank will remain in Norwegian hands. Clouds over the bank seem darker than those over Fokus and DnB.

The government is determined to keep DnB out of complete control of the state although its ownership in the bank is already pushing 80 per *cent. "For DnB and for Nor*way it is important to keep at least part of the bank's ownership in private hands," says Mr Hermansen.

"For Christiania the losses were so high that there was virtually nothing left of the bank... it was just too far gone to allow a symbolic value to be retained... but I will admit that we were surprised over the size of DnB's 1991 losses," he said.

For Fokus Bank there are some positive signs: the bank's leadership has adopted a realistic strategy and reorganisation, according to Mr Hermansen, in which an association of banks have been established where each bank is responsible for its performance.

However, Mr Hermansen and Mr Oeien both believe that DnB and Christiania need to do more to improve efficiency, cut costs and boost profitability. But the banks' future *development will hinge* greatly on the development of the domestic economy. Unemployment, including those on government training schemes, is at a post-war record high of *nearly 9 per cent, while corpo*rate and private bankruptcies continue to swell to new record levels. Wage levels are far above those of Norway's trading partners and export industries have been hard hit by the international recession.

One thing is certain: Norway's banking industry in the year 2000 will be quite different than what it is today and Mr Hermansen intends to play a leading role in shaping its new structure. But at this point, not even a whisper can be heard about the timing of re-privatisation of Norway's banking system.

Karen Fossli

☐ ICELAND: THE ECONOMY

Monetary stability sought

ICELAND'S financial system may not yet have gone so far in a liberalising direction as the other countries of the Nordic region but like them it has also embarked on an intense period of deregulation as it prepares to converge with the European Community's single integrated market.

Unlike the rest of the non-EC *Nordic countries Iceland is* unlikely to seek full EC membership in the near future. However it does hope to benefit from the creation of the 19-nation European Economic Area (EEA) which is expected to integrate the economies of the EC with those of the European Free Trade Association (Efta) from January 1 1993.

The government is also taking the first steps in the development of a foreign exchange market

Iceland is set to gain 96 per cent customs-free access for its fish products in that wider market and, as fish accounts for nearly 80 per cent of the country's exports, it remains vital that the EEA works.

The most important financial *change for Iceland* concerns the relationship of its currency to those of western Europe. *The Icelandic* government announced last October that since two thirds of the country's foreign trade was with the EC and European *Free Trade Association (Efta)* countries, and the other Nordic nations had pegged their currencies *to the* European Currency Unit, it intended to link the Icelandic krona to the Ecu as well – but not until 1993.

The first step was taken last month when Iceland's exchange rate basket was reduced from 17 to three currencies consisting of the Ecu, the American dollar and the Japanese yen with a relative weight of 76 per cent, 18 per cent and 6 per cent respectively.

The government is also taking the first steps in the devel*opment of a foreign exchange* market for Iceland with powers being given to the country's central bank to intervene and adjust the krona's daily exchange rate. A new Central Bank Act is being prepared which will also enable the bank to influence short-term market interest rates.

The government is appar*ently firm in its commitment* to the establishment of Icelandic monetary stability, an objective that has proved hard to achieve. For most of the past 20 years, the economy has suffered from the consequences of high inflation.

Stagnating export prices for fish in the late 1980s undermined efforts to uphold the *value of the krona and forced* the government into periodic devaluations to strengthen Iceland's balance of payments and secure some market advantage for the vulnerable fishing industry. But since December 1989 the average exchange rate of the Icelandic krona has remained stable.

The present Icelandic government appears determined to stick to its objective of monetary stability even if this has meant carrying out increasingly unpopular economic policies that are squeezing real disposable income and increasing registered unemployment.

Restrictive monetary measures have helped to keep down the annual rate of inflation to single figures in 1991 for the second consecutive year – quite an achievement for an economy that has had to live with an annual inflation rate of 20-30 per cent since 1983. Forecasts for this year suggest Iceland will maintain its relatively *low inflation rate* at about 2.5 per cent. If this happens, it will take the country below the inflation average in the Organisation for Economic Co-operation and Development (OECD) countries, an unfamiliar experience for Iceland.

*But other economic indica*tors look grim. A 4.1 per cent cut in the country's gross national product is expected this year with a 6.1 per cent decline in national income which would be the biggest drop since 1950 and the fifth *successive year of stagnation.* The current account deficit is expected to amount to 4-5 per cent of Iceland's gross national product while the 1992 budget deficit will amount to 2.4 per cent of GNP; the same as last year.

The commercial banks have also gone through a radical reorganisation through merger and amalgamation

The *outlook* for the all-important fishing industry is murky. Reduced fish quotas are expected to *lead to a 9* per cent decline in fish exports. At the same time, the indefinite postponement announced last November in the long-expected Atlantal *project* to build an aluminium plant in Iceland producing 200,000 tons a year has hit hopes of economic diversification.

The lifting of controls on Iceland's financial system really gathered pace after the mid-1980s with an important step *being taken in August 1990* when restrictions were lifted on long-term outward capital movements.

There has been the emer*gence of mutual* funds and leasing companies and the development of a securities exchange. The commercial banks themselves have also gone through a radical reorganisation through merger and amalgamation as their number *has been reduced from seven* to three. There are plans to change the Agricultural Bank into a limited company with the state's shares being offered to the public.

But the *opening* up of Iceland to outside financial influ*ences* has led to some criticism from those who fear the small economy will be submerged as *a result. This is why the Icelan*dic government continues to be much more cautious than its Nordic neighbours in its slow but steady move to greater liberalisation.

Last March, for example, new legislation was introduced to encourage foreign direct investment into Iceland but it was made clear that only Ice*landers* or *domestically* registered companies had access to the country's fishing grounds and primary fish processing industry.

Again, foreigners cannot acquire the right to harness waterfalls and geo-thermal energy. And non-residents must not acquire more than a 49 per cent stake in Iceland's domestic airlines. Investment by foreigners in domestic incorporated commercial banks is also restricted to 25 per cent although foreign commercial banks have been free to open branches from the beginning of this year.

Robert Taylor

☐ Nordic Investment Bank

Useful role as a go-between

THE Nordic Investment Bank has at least one positive attribute at the moment. It is the only bank in the region which still enjoys a triple A rating for its bonds from *the leading* credit rating institutions Moodys and Standard & Poors.

Established on August 2 1976 with a head office in Hel*sinki by the governments of* the five Nordic countries, the NIB'S aim is to finance on normal banking terms investment projects in and outside the Nordic area. Its lending facilities are financed by borrowing on both Nordic and interna*tional* capital markets.

During the first eight months of last year, the NIB made a profit of SDR25m or \$34m. Its total assets were SDR6.058bn while its interest income stood at SDR326.1m.

The bank is suffering from no credit losses although it has SDR3.420bn in outstanding loans. But as Mr Jannik Lindbaek, the NIB's president, explains, the bank is not competing with high street or savings banks. It covers only investments that have an *interest normally* covering more than one Nordic country and these tend to have strong financial *support* from both the public and private sectors.

"The NIB has been a dynamic force in cross-frontier integration in our region", says Mr Lindbaek. "In the past five years we have doubled our lending portfolio". He sees the bank *as a complement to other* sources of finance in the Nordic area. The NIB is interested not in short-term funding but in medium and long-term loans with maturities of between five and 15 years.

Just over half the NIB's disbursements go into manufacturing projects with an estimated 40 per cent of loans in 1990 made in the funding of corporate acquisitions inside and beyond the Nordic *region.*

Increasingly environmental projects have become a dominant concern for the banks lending policy. They accounted for 20 per cent of all NIB's disbursements in 1990. This is due not only to the genuine anxiety about pollution levels felt throughout the Nordic region but the recognition that loans are available from the NIB to clean up the environment even if an investment *scheme affects only one Nordic* country directly.

The NIB explains: "The reasoning behind this is that most types of pollution do not stop at country borders". Recent loans in the environmental sector have included a SKr300m contribution in the Swedish paper group MoDo's SKr1.5bn project designed to reduce emissions of oxygen-consuming and chloride particles into the Gulf of Bothnia and Baltic sea from four facilities on Sweden's *east* coast; a *DKr29m contribution to the* DKr80m development of a waste water purification plant in east *Jutland,* Denmark; and a FM29m loan for a desulphurisation facility in an energy plant at Espoo in Finland.

In October 1990, the NIB established the Nordic Environment Finance Corporation with the purpose of providing share capital or loans for joint environmental ventures of central and eastern Europe. It has had a modest beginning with an authorised capital of SDR36m *for* a six-year trial period.

Ten years ago, project loan investment facilities were started by the NIB with SDR100m of long-term loans of up to 20 years disbursed each year to credit-worthy developing countries in the Third World as well *as central and* eastern Europe.

The NIB has also been involved in a Nordic region government-based task force *set up in September 1990* after an environmental conference at Ronnerby in Sweden. The task force is examining ways of financing projects to purify the polluted Baltic sea by encouraging co-operation between the Nordic countries and their eastern neighbours.

So-called "hot spots" have been defined where pollution is the most severe and the financial needs are the greatest. The area of greater St Petersburg as well as the industrial regions of Katowice *in Poland and* Ostrawa in Czechoslovakia have been highlighted as "super hot" and in need of urgent action. The NIB is not alone as a source of financial support in the wider environmental picture of *northern* Europe. The European Bank for Reconstruction and Development and the European Investment *Bank* are also involved.

But the NIB is being used to draw attention to the desperate need for capital infrastructure investment on the *edge of* the Nordic region. It has produced, for example, two invaluable studies of investment plans and needs in the three independent *Baltic states* of Latvia, Estonia and Lithuania. The idea of creating a Baltic Investment Bank with access to the international money *markets* jointly *owned* by NIB and the Baltic countries is being floated.

Mr Lindbaek stresses that NIB has only limited resources *and* cannot become a large multilateral lending institution. But even while it remains modest, *the* NIB can still perform a useful role in acting as a go-between for the Baltic countries as well as in the Third World where many aid schemes received the bank's support.

Robert Taylor

The 'golden age' for commercial banks still prevails: Page 2

REPUBLIC OF CYPRUS

Last year saw a record number of offshore registrations: Page 3

There would be no shortage of economic opportunities if the two communities of Cyprus could reunite, even in a much looser relationship than the bi-communal system of government which collapsed in 1963. But a lot of political goodwill is needed. **Kerin Hope** investigates

Goodwill is key to unity

THE roofless houses and rusting barbed wire around the UN checkpoint in central Nicosia could be part of an abandoned film set. But a loitering soldier in a blue serge cap serves as a reminder that Cyprus remains a divided island where most Greek and Turkish Cypriots have been unable to exchange even a greeting for almost 18 years.

The contrasts within the city underline how the two communities' paths diverged after Turkish forces invaded the north of the island in 1974 in response to a coup plotted in Athens which aimed at uniting Cyprus with Greece.

Tall, white office and apartment blocks crowned with satellite dishes overlook the UN-patrolled "green line" on the southern side. The Greek Cypriots, forced to rebuild their lives after abandoning the northern third of the island, proved so successful at developing tourism, textile manufacturing and offshore services that per capita income in the internationally-recognised Cyprus republic compares with Spain.

The Turkish Cypriots, an 18 per cent minority in the island's population of 600,000, live quietly in what resembles a Turkish provincial town, apart from a newish suburb housing the administration of the self-styled Turkish Republic of Northern Cyprus, recognised only by Turkey.

The presence of almost 30,000 Turkish soldiers in the breakaway state, plus some 50,000 settlers from mainland Turkey – brought in to cultivate farmland left idle when the Greek Cypriots fled – reinforces the impression that northern Cyprus is somehow an outpost of Anatolia.

Nevertheless, the Turkish Cypriots are also better off than before, thanks to tourism and investments by Asil Nadir, the Turkish Cypriot entrepreneur now facing fraud charges in Britain after the collapse of his fruit-to-electronics group.

But given its lack of international respectability, northern Cyprus generally holds little attraction for investors, making it heavily dependent on aid from Turkey – said to have totalled more than $500m since 1974 – and loans from Turkish banks. Wages in the north are only one quarter of southern levels and unemployment is rising, while several thousand jobs remain unfilled in the south.

As Greek Cypriot businessmen are starting to point out, there would be no shortage of economic opportunity if the two communities could reunite, even in a much looser relationship than the bi-communal system of government which collapsed in 1963, only three years after independence from Britain.

"The pie is now big enough for both of us. We should accept that they want to live separately from us and co-operate accordingly," says a Greek Cypriot financial consultant, one of a group that recently started building contacts with Turkish Cypriot businessmen.

The politicians do not necessarily agree. Although intercommunal talks over the years, sponsored by successive UN secretaries-general, eventually produced the outlines of a settlement, the crucial details remain to be resolved. The idea is that Cyprus would be reunified as a bi-zonal federation where Greek and Turkish Cypriots could move freely, work and live in each other's zones.

The two communities would share power in a federal government more concerned with promoting Cypriot interests abroad than regulating domestic affairs. Most Turkish troops would go home and compensation would be paid to islanders who decided not to return to their pre-1974 homes.

But a considerable amount of political goodwill is needed to resolve arguments over how much territory the Turkish Cypriots should hand back, how many Greek Cypriots will eventually be allowed to move north again and how often a Turkish Cypriot should serve as president of Cyprus. This goodwill still seems to be lacking, even after US President George Bush voiced a personal interest last summer in seeing the Cyprus problem solved, thus providing the inspiration for a fresh UN negotiating effort.

"It is very frustrating because 90 per cent of the settlement is already there. If the breakthrough were to happen, the UN officials could have an agreement ready to sign in a matter of days," says a western diplomat.

To the Greek Cypriots, and also some outside observers, the stumbling block is Mr Rauf Denktash, leader of the breakaway state, who now demands full political equality for the Turkish Cypriot community in a Swiss-style federation.

"We shall never say Yes to a federation that is not based on our sovereignty," he says.

Mr Denktash, whose avowed priority is to safeguard his community from a return to the days of discrimination and periodic violence at the hands of the Greek Cypriot majority, is also criticised by the Turkish Cypriot opposition as an autocratic leader unwilling to trade some of his personal authority in return for a settlement.

On the other hand, President George Vassiliou, the Greek Cypriot leader whose background as a millionaire businessman and political newcomer initially made him more flexible, is constrained by the probability that he will seek a second term in a presidential election to be held next year.

He now seems to favour the conventional view, backed by Greek and Greek Cypriot politicians, that the only way forward is for President Bush to press the Turkish government to convince Mr Denktash that the moment for a settlement has finally arrived.

But one indication that he still feels optimistic is the preparation of a Greek Cypriot master-plan for reuniting the two economies. "We think it will be possible to bring the Turkish Cypriots up to our level within two years, without any pain," he says.

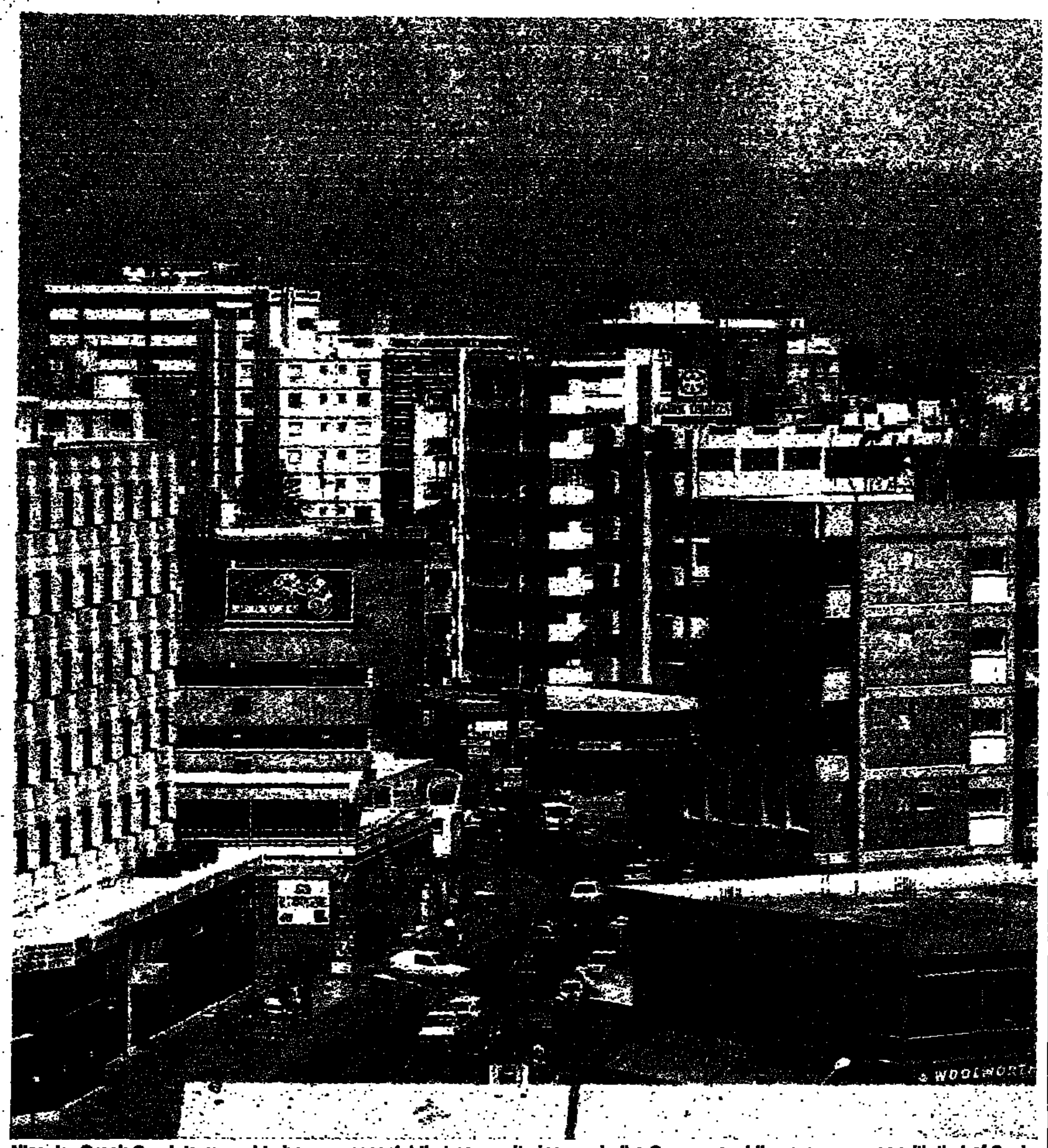
Despite Mr Vassiliou's inability so far to bring about a solution, he will still be the front-runner if he decides to seek re-election.

One result of a rapidly improving standard of living for Greek Cypriots over the past four years has been to push what is known as "the national issue" further into the background. "There are times when you feel it's a topic for discussion over dinner, no longer really part of your life," says a Greek Cypriot engineer.

Even the politicians' insistence that a settlement must allow all Greek Cypriots the right to return to their homes in the north seems at variance with the views of a younger generation which is growing up in the towns of the south without any knowledge of Turkish Cypriot community.

Mr Vassiliou, elected with the backing of the still-powerful Cyprus communist party, Akel, has had his difficulties pushing economic reforms through parliament as a president without a political party of his own. But he could only be unseated next year by an alliance of the two right-wing parties, Democratic Rally and the Democratic Party, whose ageing leaders are associated with past political embarrassments and old-fashioned attitudes.

Their resilience since the island was effectively partitioned makes the Greek Cypriots feel confident they will go on prospering on their own. But Cyprus cannot be assured of long-term security or of achieving its ambition to join the European Community until the two communities are again united.



Nicosia: Greek Cypriots proved to be so successful that per capita income in the Cyprus republic now compares with that of Spain

□ TOURISM

A reputation for quality

AFTER a season of cancelled bookings and deep price cuts, forecasts of a record year for Cyprus tourism are being greeted with cautious relief.

The Gulf crisis interrupted a decade of steady expansion in the island's tourist industry. Foreign visitors were flown home by tour operators worried about rising insurance costs, while hotel occupancy rates plummeted to 25 per cent in the first few months of 1991. Staff were laid off and some hotels closed.

"There was a misunderstanding about our geographic position. Attention tended to focus on how close, rather than how far, we were from the hostilities," says Mr Andreas Nicholaou, chairman of the Cyprus Tourist Organisation (CTO).

Although bookings recovered over the summer, reaching normal levels by September, arrivals for the year totalled 1.32m, a 15 per cent decline from the record number of 1.56m in 1990. Foreign exchange earnings fell from C£573m to C£470m as hoteliers cut prices in an effort to cover losses earlier in the season.

This year, however, arrivals are projected to reach 1.65m, although revenues will rise more slowly than in the past. Prices remain close to 1991 levels, reflecting apprehension that Cyprus would not immediately be able to recover its share of the European market.

In fact, price stability brought such a rush of bookings in medium-priced hotels that the CTO had to intervene to prevent overbooking. Operators in Britain, the main market, are being reassured that anyone left without a room will be given one in a four- or five-star hotel.

This year, too, hoteliers will be struggling to cope with a staff shortage, the result of full employment in the south of the island. Foreign contract workers, many from eastern European countries, are being hired as cooks, chambermaids and restaurant staff so that as many Cypriots as possible are available for jobs involving direct contact with visitors.

Last month, Cyprus Airways, the state carrier, launched a charter subsidiary, Eurocypria, to which it leased two new Airbus A320s. According to Mr Tassos Angelis, the airline's spokesman, Eurocypria has already sold 140,000 seats, its entire capacity for the season.

In southern Cyprus, tourism grew much faster during the 1980s than in the rest of Europe, with the development of resorts along the southern and western coast to replace those abandoned in 1974 after the Turkish invasion of the north. The growth rate in Europe from 1980-90 averaged 3.5 per cent, while foreign exchange earnings rose by an average 8.3 per cent. For Cyprus, the equivalent figures were 16 and 23 per cent.

Apart from being a sun-and-sea destination, with a longer season than Greece or much of the Turkish Aegean coast, Cyprus is held to offer better standards of service than in other Mediterranean countries. Even Ayia Napa, the Cyprus equivalent Benidorm, attracts a proportion of "repeat" visitors. Other resorts, especially Paphos, appeal to older tourists who are more likely to return within two or three years.

Cyprus managed at the same time to acquire a reputation for quality which the CTO is anxious to preserve. "The 1990s will be the decade of quality destinations. They are the ones that will survive in an increasingly competitive world," says Mr Nicholaou.

The CTO aims at increasing Cyprus's share of the growing international market in incentive and conference tourism, adding more marinas to attract yacht owners south from Greece and Turkey, and developing the special interest market. Already, Scandinavian and central European soccer teams hold training sessions in Cyprus. Elderly visitors from Britain or Finland, escaping from northern European winters for longer stays, can take courses in botany or Greek cooking.

Until now, Cyprus has not been a regular port of call for Mediterranean cruise ships. But as local travel agencies have discovered, one profitable way of keeping visitors entertained is to offer them short cruises to Egypt and Israel, both within easy reach of the island.

Although an 18-month moratorium on hotel construction has ended, the intention is to avoid a rash of new building. With 65,000 beds available, mostly in three-star hotels, capacity is thought be adequate. In future, priority will be given to four- or five-star hotels with a wide range of leisure and sports facilities.

Yet if Cyprus is to focus successfully on up-market tourism, the market must be diversified to include more French, German, Austrian and Swiss visitors. At present, British tourists account for 49 per cent of arrivals, with Scandinavians the next-largest category at 16 per cent. The next step being planned by the CTO is to persuade Americans and Japanese to include Cyprus on their European itineraries.

Bouli Hadjioannou

☐ THE ECONOMY

Signs of overheating

THE unofficial indicators of prosperity in eastern Mediterranean countries – weekend traffic jams, supermarkets filled with well-groomed shoppers and crowded seaside restaurants – are much in evidence in Cyprus.

A heavy emphasis on consumer spending is one enduring consequence of the upheaval in 1974 when about 180,000 Greek Cypriots were driven from the north of the island, leaving behind hotels, factories and citrus orchards that represented more than 60 per cent of the island's resources.

Another is the Greek Cypriot insistence on acquiring skills abroad, a reflection both of high unemployment in the early years of rebuilding and the sense of security derived from being able, if necessary, to earn a living outside the island. In fact, economic recovery came swiftly in the south, with priority given to short-term infrastructure projects financed through foreign aid and borrowing. It took only five years for incomes to return to pre-1974 levels.

Exports rose as new, labour-intensive manufacturing exploited demand in the Gulf states during the oil boom, while services benefited from Beirut's decline as a business centre. When mass tourism took off in the south, the growth rate also soared, averaging more than 5 per cent in the late 1980s. However, the Gulf war dealt the tourist industry a harsh blow last year. Although bookings picked up as the season advanced, hoteliers were obliged to accept sharply reduced prices to ensure occupancy rates that would cover the year's costs.

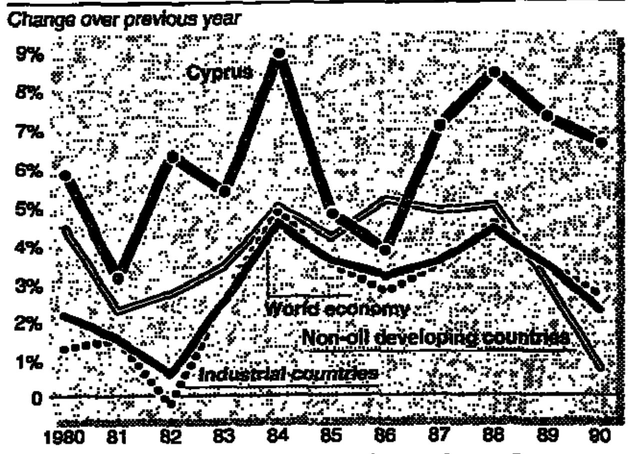
Exports were also affected with a number of small plants dependent on orders from the Gulf being forced to shut down, while port activity at Limassol, a regional transhipment centre, slowed down.

As if this were not enough to contend with, a severe drought hit Cyprus last winter. With little water available for irrigation despite a sustained conservation effort, agricultural output fell by 10.1 per cent. The economy grew by just 1.5 per cent in 1991.

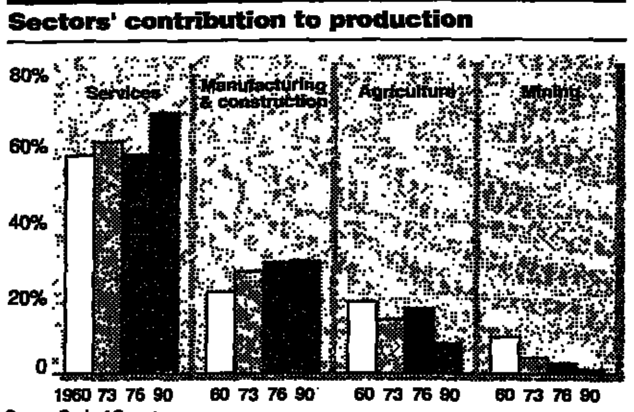
Yet this appears to have been only a temporary setback, according to the government planning bureau. Projected growth for 1992 is 7 per cent, led by a recovery in exports and what seems likely to be a record year for tourism.

Economic growth

Change over previous year



Sectors' contribution to production



Source: Bank of Cyprus

But as Cyprus heads into an election year, signs of overheating are emerging. Inflation reached 6 per cent last year; the introduction of value added tax this summer may bring it to 7.5 per cent this year.

While exports remained steady at C£390m in 1991, imports surged by 20 per cent as consumers launched a spending spree in advance of VAT. This, coupled with a decline in tourism earnings, transformed a current account surplus of C£40m in 1990 into a C£110.8m deficit, equivalent to 3.8 per cent of GDP.

The unions will be asking for larger rises on top of index-linked increases twice a year

With collective wage agreements in several sectors coming up for renewal this year, the unions will be asking for larger rises on top of index-linked increases twice a year. Their bargaining power is enhanced by a labour shortage which has forced employers to import short-term contract workers, mostly from eastern Europe.

"Real increases of 3-4 per cent a year are standard now, and the unions are a militant bunch. It will be hard to restrain demand in an election year," says one analyst.

The government has little room to manoeuvre, after being forced by Parliament not only to limit VAT to a single 5 per cent rate but to postpone its introduction for six months. In the meantime, a new tax package, including across-the-board cuts in income tax, had already come into effect.

The resulting budget deficit amounted to 5.1 per cent of GDP, double the previous year's figure. But given the pre-electoral commitment to spending on high profile projects such as port and road improvements, the deficit is unlikely to shrink much this year.

Still, whatever the imbalances in southern Cyprus, they pale into insignificance against the problems facing the self-styled Turkish Cypriot republic.

The collapse in 1990 of the fruit-to-electronics empire of Mr Asil Nadir, a Cypriot by birth, cut short a brief period of optimism about the future. About 8,000 Turkish Cypriots, some 12 per cent of the workforce, were employed in a dozen companies he controlled in northern Cyprus, from citrus exporting to packaging, hotels and newspaper publishing. With three-quarters of Mr Nadir's employees now out of work, northern Cyprus again relies heavily on aid from Turkey, amounting to more than $60m yearly. Over the years, Turkish state banks have also financed construction of roads, two airports and expansion at Kyrenia port. Yet per capita income in the north is less than one-third that in internationally-recognised Cyprus and appears to be falling further behind. No official figures are available, but growth last year is thought to have been negative, after a 5.5 per cent rise in 1990.

While crossing the Green Line that divides Cyprus is officially forbidden, several hundred Turkish Cypriots slip into the south daily to put in a few hours of work on a Greek Cypriot construction site.

As in the south, tourism is the mainstay of the economy, with some 600,000 visitors from Turkey last year but only 42,000 foreign tourists. Northern Cyprus was also hit badly by cancellations due to the Gulf crisis. This year, a 30 per cent increase in foreign arrivals is forecast, the result of more effective marketing in western Europe, and receipts may rise to $25m.

But sharing a currency with Turkey means that northern Cyprus imports a Turkish inflation rate of more than 70 per cent. Index-linking of wages now lags several months behind, adding to the gloomy mood.

With each year that passes, it becomes clearer that without a political settlement, the economic gap between Greek and Turkish Cypriots can only continue to widen.

Kerin Hope

☐ BANKING

Golden age still prevails in the commercial sector

DESPITE its small size, Cyprus has one of the most efficient and sophisticated banking systems in the world. And Cypriot-owned banks are already outgrowing the island, looking for fresh fields abroad.

There are 12 banking institutions operating on the island, most of them privately owned, while Cyprus is also the base for some 20 offshore banking units.

Banking services have developed considerably in recent years. Most banks now have fully computerised on-line systems, are connected to the Society for Worldwide Interbank Financial Telecommunications (Swift), offer home and telephone banking and have modern dealing rooms for foreign exchange deposits. There are automatic telling machines (ATMs) in the main towns.

As far as using advanced technology, Cyprus banks are abreast of many other countries, says Mr Philip Tew, a director of Lombard NatWest Bank which although it was incorporated in 1960, started full commercial banking services only a year ago.

The island's location, its excellent telecommunications, air links and highly qualified labour force, make it attractive for any international organisation, especially if it wants to do business with the eastern Mediterranean, the Middle East and North Africa.

But with more than 450 branches and offices in the main towns, business centres and tourist resorts, offering all kinds of banking services, the domestic market looks saturated. There are also some 360 co-operative credit societies and savings banks which offer extensive services to the local population, sometimes on easier, more attractive terms.

Even so, the "golden age" for commercial banks still prevails in Cyprus. The recession and bad debts provisions that hit many international banks have not so far affected the island. According to figures provided by the central bank, total profits of the banking sector over the period 1980-90 showed an annual average growth of 24.4 per cent. Total assets grew from about C£890m pounds to C£3.5bn – an average annual growth rate of 16.6 per cent – while deposits increased by an annual average of 16.8 per cent and lending by about 14 per cent over the same period.

Banking officials believe business in 1992 will be buoyant, especially with regard to tourism-related services such as hotels, restaurants, car hire and entertainment.

The short-term outlook is good. Long-term prospects depend to a great extent on Cyprus's aspiration to move closer to the European Community. A great deal of adjustment would be needed to bring the relevant regulations into line with those of the EC and this could produce a lot of stresses and strains. Among other things, it would mean liberalisation of exchange controls and abolition of the 9 per cent ceiling on interest rates.

Mr Michael Shadrach, local director of Barclays, says interest rates need to be deregulated. The 9 per cent ceiling set by law is an "anachronism" because it does not apply anywhere else in Europe. He also says that the 7 per cent interest on deposits set by the authorities is not adhered to by all banks and this creates unfair competition.

Even so, Barclays has expanded its operations in the past few years and now has 48 offices with more than 500 staff. It has set up several specialised units including a finance corporation and an insurance division.

Competition among banks is intense, but Mr Shadrach says the real problem is "the regulations which do not allow banks a decent return." He believes, for example, that the minimum liquidity requirement set by the central bank (averaging 30 per cent this year) is too high and restricts the banks' ability to offer more credit to customers. But it is generally admitted that in view of the absence of any other mechanism, this is the only way the authorities can exercise monetary control over banks.

Perhaps because of these constraints, two of the leading Cypriot banks have expanded into foreign markets, opening offices in countries with sizeable Cypriot communities.

The Bank of Cyprus, the largest banking organisation on the island with a 45 per cent share of the market as far as commercial bank operations are concerned, plans to set up more offices in Greece (in Piraeus this summer and in Salonika next year) after the successful launch of its branch in Athens a year go.

Mr Solon Triantafyllides, chairman of the group, said the bank hoped to open a representative office in New York this summer and was thinking of turning similar offices in Australia (Melbourne and Sydney) into fully-fledged banking units. Canada and South Africa are included in its future plans.

Meanwhile, the Bank of Cyprus (London), with seven branches including one in Birmingham, is further extending its services by setting up a representative office in Manchester.

The group, with more rey than 250 branches and offices in Cyprus and a staff of 2,000, reported a 3.5 per cent rise in profits last year while Mr Triantafyllides confidently predicted much higher profits this year cause of the expected tourist boom. Group assets reached C£1.7bn, up 13 per cent.

The Popular Bank, the second largest with some 150 offices and branches, is attempting to catch up by employing an aggressive marketing policy and is also reaching beyond the island. Founded 90 years ago, it moved to London and Birmingham a few years ago while recently it also set up representative offices in Australia and plans to do the same in New York.

Last December, approval was given by the Greek authorities for the setting up of the European Popular Bank in Greece later this year. This is a joint venture by the Cyprus Popular Bank, the Hongkong & Shanghai Banking Corporation (which also has a 21.6 per cent holding in the share capital of the Cypriot bank) and a group of Cypriot and Greek businessman. The Popular Bank, with a 51 per cent majority holding, will retain management of the new bank. The Honkong and Shanghai Banking Corporation participates with an 11 per cent direct holding.

The local banks have set up special units to cater for offshore enterprises

Mr Kikis Lazarides, the group chief executive, said the aim of the European Popular Bank would be to expand rapidly in Greece and at later stage in other EC countries.

The other Cypriot Bank, Hellenic, with 67 branches, is introducing new schemes to attract domestic business and increase its share of the market. Earlier this month it announced its "Extra" account under which customers with savings accounts are able to issue cheques or use a cash-card for withdrawals while enjoying a 4 per cent interest on the minimum monthly balance. "We consider it a revolutionary scheme which adds to our range of banking services," said Mr Matios Clerides, of the bank's planning and marketing department.

Another bank offering full services on the island is the Jordan-based Arab Bank which moved to Cyprus in 1984 and which now has 16 branches mainly in Nicosia and Limassol, the island's southern port city where there is also a small Arab community.

Mr Chris Stephani, area executive, said the bank planned further expansion, including the construction of a head office in Nicosia. He said Arab Bank had boosted its market share through an injection of foreign exchange for the financing of big tourist projects and other development schemes on the island.

The local banks have set up special units to cater for the estimated 900 offshore enterprises on the island. But they complain about "unfair competition" from the co-operative credit societies which handle about 35 per cent of total local banking business.

The co-op institutions, which have deep roots in Cyprus, especially among the rural population, accept deposits and offer loans to members especially for financing of houses, agriculture, trade and industry. They are controlled by the Co-operative Central Bank, which is also an importer and distributor of fertilisers and other agricultural items); they do not pay income tax and they are outside the control of the central bank. Total deposits with the co-op societies in 1990 exceeded C£900m while laons reached C£780m.

In addition, long-term housing and other property finance is provided by the Housing Finance Corporation while medium- and long-term finance for development projects (mainly in the industrial and tourist sectors) is provided by the Development Bank, basically a government-owned institution which also offers feasibility studies and acts as business consultant.

Andreas Hadjipapas

☐ OFFSHORE COMPANIES

Tax incentives attract

FIFTEEN years of quiet growth as an offshore centre has brought a diversity of business to the republic of Cyprus, including multinational corporations, banks and shipping companies.

The central bank issued a record 1,270 registration permits for offshore enterprises in 1991, bringing the total to more than 8,000 since 1976 when Cyprus introduced offshore incentives. While most are "brass-plate" entities – often set up to hold a wealthy individual's private assets – about 900 companies operate full-fledged offices.

Pepsi-Cola, R.J. Reynolds, Alico and United Distillers are among familiar names using Cyprus as a base *for their* regional operations. There are almost 20 offshore banking units (OBUs), among them Barclays and Banque Nationale de Paris, and more than 70 shipping companies, *including* leading ship managers such as Columbia and Hanseatic.

Initially, Cyprus was as seen as a convenient perch for businessmen driven out of Lebanon by civil war. Then its appeal as a comfortable base for expatriate staff was discovered by the multinationals. In the past year, however, the largest number of new arrivals has been from eastern Europe, mostly companies from the breakaway *Yugoslav republics* or the ex-Soviet Union.

For the sake of being close to their markets, companies are clearly prepared to discount what sets Cyprus apart from *islands like Malta and Madeira*, its nearest offshore competitors: the division of the island into Greek and Turkish Cypriot sectors separated by a UN peacekeeping force.

"*European* companies probably give less weight to the Cyprus problem than the Americans. But it's still a factor at the back of everyone's mind," says a banker.

However, Cyprus *offers* advantages such as relatively low wages and housing costs, along with a pool of highly skilled labour; it boasts more *university graduates in proportion* to the population than any other country in Europe.

Respectability is a word stressed by officials in charge of offshore registrations. "We're not a tax haven; we're offering tax incentives," says Mr Sophocles Michaelides of the central bank.

The difference, he says, lies in the controls exercised by the central bank. All offshore companies must submit an audited financial statement every year. Those with full-fledged offices must also produce a confidential annual report detailing their current financial status. Audits are carried out by local accountants, mostly trained in Britain.

Banks are examined care*fully before being allowed to* set up in Cyprus. The preference is for branches or subsidiaries of "reputable" organisations rather than a bank seeking incorporation on the *island* though, once established, the OBUs enjoy confidentiality similar to that in Luxembourg.

A new financial services bill, expected to pass in parliament *later this year*, is intended to give greater protection against fraud. It will empower Cypriot authorities to license and supervise offshore financial service companies, seen as a potential growth area.

The other piece of legislation awaiting parliamentary approval is an international trust bill, based on UK trust *law. It will update existing* regulations on trusts established in Cyprus by non-resident investors, basing incentives on the beneficiary's country of residence.

Tax incentives *for offshore* companies include paying only 4.25 per cent tax on earnings and exemption from capital gains tax from share transfers in an offshore company. Expatriate employees pay income tax at half the local rate and can import new cars and household goods duty-free. Improvements in telecommunications in the past few years have helped to attract more offshore companies. The switchover to digital exchanges and transmission systems was followed at once by the introduc*tion of cellular telephones* and paging facilities.

However, the most frequently heard complaint from offshore managers concerns a special 20 per cent tax levied on *their telecommunications* expenses. It seems unlikely to be lifted soon; the central bank says that offshore companies must expect to contribute to maintaining the high standards of telecommunications.

Increased anxiety about security, a consequence of the Gulf war, has resulted in tighter controls on issuing residence permits. Owners of "brass-plate" companies are no longer entitled to residence in Cyprus. Foreigners working as domestic staff may be sent home after two years. Both moves have provoked strong objections from Cypriot lawyers and accountants who service the offshore operations.

"We get calls from annoyed expatriates whose 'au pairs' are being refused an extension of their residence permits. It's bad for Cyprus's image," says *Mr Michael Zampelas* of Ioannou Zampelas, the local member of Coopers and Lybrand.

For the past few years, new offshore shipping and ship management companies have *been opening in the port* of Limassol at a rapid rate. This is in response to an energetic government campaign to attract vessels to the Cyprus registry, which is now the seventh *largest in the world. More* important, about 40 per cent of the 21m-tonne Cypriot fleet is managed from the island. Limassol can provide a broad range of maritime services.

Fees and tonnage taxes in Cyprus are considered more competitive than in the Panama and Liberia registries, especially for newer ships. The government is offering discounts on registering ships under 10 years old in an effort to bring down the average age of the fleet. That is 14 years at present, and 75 per cent of Cypriot-flag vessels are more than 10 years old.

To encourage more owners of Cyprus-registered ships to establish themselves on the island, discounts are also being offered to shipping companies using Cypriot services and employing Cypriot crews.

The *government* hopes that others will follow the example of Mr Klaus Oldendorff who moved both his fleet of 20 ships and his offices to Cyprus from Germany four years ago. "*After some thought, I decided* it would be better to operate my ships out of Cyprus itself. It's a pleasant place to live and, with the exception of major ship financing, you can *carry out almost all your* business here," Mr Oldendorff says.

Kerin Hope

☐ EASTERN EUROPE

Contacts spur trade

GIVEN THAT, until recently, the Cyprus Communist Party (Akel) was assured of winning one-third of the vote in any election, it is not surprising that Greek Cypriots from all walks of life have a network of contacts in eastern Europe.

One of the ways that Akel retained voter loyalty as the island grew wealthier was by offering scholarships to eastern European universities to bright offspring of its supporters. As a result, a sizeable number of Greek Cypriots are well-placed to offer their services to local companies seeking opportunities in the former Soviet Union and its satellites.

Some of the infrastructure is already in place. Cyprus is a shareholder in the European Bank for Reconstruction and Development, though its stake amounts to just 1 per cent. It has signed double taxation treaties with *all the eastern* European countries except Poland and Albania. There are direct flights to their capitals since Cyprus has long been a popular destination for tourists from eastern Europe.

Several Cypriot companies are looking for service sector niches in which to operate. "They're prepared to invest time and energy in something that might well be overlooked or dismissed by larger foreign companies, even though it offers promising medium or long-term prospects," says a foreign banker.

Over the past year, executives from Russia, Ukraine, Georgia and Kazakhstan have been attending two-week management seminars in Nicosia, organised by Ioannou Zampelas, the local member of Coopers and Lybrand. Most of them hold senior jobs in medium-sized factories, struggling to make the transition from a command system to a new economic reality. Because these enterprises have training budgets, they are able to cover the cost of a seminar abroad, according to Mr Nicos Nicolaides of Ioannou Zampelas.

"It's much cheaper for them to come to Cyprus than go to London or Paris. It's also a less intimidating place for people who've never been abroad before," he says.

The seminars, held in English with simultaneous translation into Russian, focus on explaining essential western business techniques, from marketing and incentive schemes to cash flow forecasts and stock level controls. Principles of banking, finance and insurance are also covered.

"We thought we'd mainly be doing accounting but found a much broader approach was needed. We've grown more flexible, getting into more discussion both in the seminars and during the socialising afterward," says Mr Dimitri Khenkin, the company's Russian specialist.

In the meantime, the Louis Organisation, the largest travel agency on the island, is expanding into Russia, Poland and Bulgaria. The opening up of *eastern Europe* came just as Louis, which owns a chain of 30 hotels, plus three cruise ships and a catering and duty-free operation, was starting to look for new business outside Cyprus.

"It's difficult for a company like ours, big here but small by international standards, to go into western Europe. But we can make our mark in eastern *Europe*," says *Mr Stelios Kiliaris*, the company's financial director.

Louis has signed joint venture agreements to manage duty-free shops and provide catering services, both at Warsaw's new international airport, and at Vnukovo airport in Moscow. The company is also taking over management of a 700-bed hotel complex at *Sudol, near Moscow*.

In Bulgaria, Louis is cashing in on local enthusiasm for all things American by launching a fast-food restaurant in the centre of Sofia. This, it is *hoped, will be the first in a* chain of hamburger outlets named Americana. "Our total outlay in eastern Europe is not as much as you'd think – well under $10m," says Mr Kiliaris.

Still, negotiating each deal proved a long drawn-out process, according to Mr Nicos Antoniades, a Minsk-trained engineer in charge of Louis's eastern European activities.

Also in Bulgaria, Mr Nikos Vassiliou, a Nicosia-based technical consultant is putting together a joint venture intended to revive a plant at a large collective farm outside Sofia that produces electricity from cow manure. The fertiliser and bio-gas installation at Podgumar state farm, completed six years ago at a cost of $3m, was intended to be an environmental showpiece. But, according to Mr Vassiliou: "It only worked for about six months and now it's become a pollution hazard because of the huge build-up of slurry."

Mr Vassiliou is looking for $1.6m to cover reviving and expanding the plant, partly from the European Community investment partners programme, with the remainder to be raised through supplier credits and a commercial loan.

"Opportunities are there in privatisation. With a fairly small amount of capital you can turn around a semi-bankrupt enterprise in a short time. *It would take about six* months for Podgumar to become profitable," Mr Vassiliou says. At the same time, Mr Vassiliou found himself running an informal employment agency, *finding* Greek- and English-speaking Bulgarians for jobs available in Cyprus in hotels and factories, the two areas where the island's labour shortage is *most sorely felt*.

About 600 skilled workers are now registered with Mr Vassiliou's office. After a government-led trip to Russia for Cypriot businessmen, he is *also receiving applications* from Pontians, ethnic Greeks from the southern republics of the former Soviet Union.

"We can offer them contracts to fill a specific vacancy, *usually for a limited period*," he says. "If their skills fit well, it can be longer. One of our successes was finding Bulgarian tobacco workers for the British American Tobacco factory here."

Kerin Hope

☐ EC MEMBERSHIP

Entry may not be so rapid

CYPRUS IS *closer* to Baghdad than to Brussels, but that is all the more reason for Cypriots to feel strongly about joining the European Community.

Political as much as economic considerations were behind the decision by President George Vassiliou's internationally recognised government to seek EC membership in July 1990, on behalf of both the island's communities.

Mr Vassiliou was under strong domestic pressure to carry out his campaign promise of two years earlier, especially since the list of countries seeking membership was rapidly growing. Still, there was a marked lack of enthusiasm among larger EC member-states over the timing of the application.

Moreover, Mr Rauf Denktash, leader of the self-styled Turkish Cypriot republic in the north of the island, who was not consulted, was so annoyed at the move that he broke off official contacts with the Greek Cypriots for months.

It was only to be expected that the *de facto* partition of Cyprus after 1974, resulting in increased economic disparity as the north stagnated while *the south maintained a growth* rate comparable with countries in south-east Asia, should loom as an almost insurmountable obstacle to accession.

An EC working group headed by Mr Abel Matutes, the commissioner for Mediterranean affairs, is to issue a formal opinion on the Cypriot bid for membership by the end of this year. But after the collapse last month of President George Bush's reunification initiative, it is not even certain whether the EC officials will be welcome in northern Cyprus.

Greek Cypriot officials like to point out that on their side of the island, *per capita* income is higher than in Greece and Portugal, both EC members, *while* the growth *rate* in *the* 1980s was well above the Community average, with inflation only now slightly higher.

"If you factor in the figures for the north, the economy still *compares favourably those of* Mediterranean members of EC," says an economist who follows developments in northern Cyprus.

A customs union agreement signed in 1987 with the EC provides for gradual lifting of most import duties by 1998, though some manufacturing industries will continue to be protected from the effects of European competition.

A full customs union is due to come into effect five years later. At that time, quotas on Cypriot farm exports *popular* in western Europe, such as potatoes and grapes, will be removed.

The Community has long been the biggest trading partner *for internationally* recognised Cyprus, although its share of Cypriot trade overall has shown only a slow rise since the tariff agreement was introduced in 1988.

In 1990, 52.9 per cent of imports originated in the EC, while 47.4 per cent of exports went to Community members, mainly Britain and Greece.

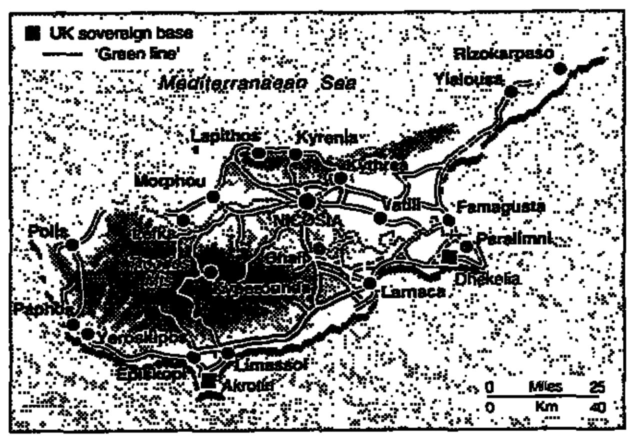
Government planners say they are structuring economic policy as if Cyprus were to join the EC later this decade. Value-added tax is to be introduced on July 1, at a single-tier rate of 5 per cent, though it is forecast to rise sharply in 1993. The Cyprus pound is to be unofficially pegged to the Ecu later this year.

However, if this commitment is to be followed through, it would involve some politically wrenching decisions over lifting exchange controls and the 9 per cent interest rate ceiling.

The island's future as an offshore business centre, together with its flourishing international shipping registry, would also start to look uncertain.

On the political front, Cyprus would almost certainly have to give up its prominent position in the non-aligned movement in order to fulfil the obligations of European political union. That, if nothing else, could make some of the island's well-travelled politicians think twice about supporting a quick entry to the Community.

Kerin Hope



☐ ECOLOGY AND THE ENVIRONMENT

Nibbling at the edges

THE entrance to the Avagas gorge, *at the* base *of the* Akamas peninsula in western Cyprus, used to look like an early traveller's engraving: a quiet pasture dotted with juniper and wild olive trees. But *last month*, the *bulldozers* moved in, churning up the ground for cultivation.

The Akamas is a 155 sq km wilderness with an unusual variety of bird and plant life, *some of it unique to Cyprus*. There are sandy beaches where the rare green turtle lays its eggs, an aromatic pine forest and dramatic cliff walks. Increasingly, it is becoming a *refuge from the concrete* agglomerations of hotels and holiday apartments lining much of the coast.

It has escaped development so far because of its remoteness. One area is used as a firing range by British forces from the two sovereign bases on the island. Until recently the only other visitors were hunters and botanists. But *mass* tourism has now *spread* to western Cyprus. Paphos, the resort closest to the peninsula, has an international airport. Land prices have rocketed, much to the relief of villagers who feared being left out of the *property boom elsewhere on* the island.

Although the Akamas was declared a national park in 1989 in response to pressure from a vociferous local envi*ronmental movement*, little has been done since them to ensure its protection.

"The park is being nibbled away at the edges, a banana grove here, a summer house there. In places like the Avagas gorge it doesn't take much to upset the ecological balance," says Mr David Pearlman of Exalt, a Paphos travel agency that takes small groups to explore the Akamas.

The government is under pressure from would-be developers with landholdings in the Akamas, among them the Orthodox church and some prominent Cypriot businessmen, *to grant* permits for building several luxury hotels.

The environmentalist lobby wants existing zoning regulations to be more strictly enforced until legislation is *prepared* to protect the area and a park management plan approved. They also want the British military to stop using the Akamas for training with live ammunition.

The environmentalists have found little support around Paphos. They are criticised by clergymen and threatened by villagers opposed to plans for agro-tourism projects, small-scale development in traditional surroundings, in a buffer zone at the edge of the park.

However, the European Community is backing an agro-tourism scheme which has begun in a group of villages further inland which are unlikely to attract mass tourism. The Laona project was launched with an Ecu100,000 ($125,000) grant plus private sector contributions. Twenty old houses are being restored or converted for tourists looking for a taste of traditional village life.

The success of a project to protect the green turtle, a threatened species, testifies to what can be achieved if the Akamas is properly looked after. Tourists are banned from Lara beach at night, the time when turtles crawl out of the sea, dig nests in the sand and lay clutches of eggs. After 15 years of surveillance during the summer nesting season and selective raising of hatchlings by a turtle monitoring group, the numbers have started to increase. "More young females are coming back to lay at Lara. It's an encouraging sign," says Mr Andreas Demetropoulos of the fisheries department.

A park management study for the Akamas is to be carried out next year by the Mediterranean Technical Assistance Programme (Metap), which is supported by the UN and the World Wildlife Fund. Afterwards, Cyprus would be eligible for World Bank funding for implementing it. Environmentalists worry whether it will be possible to hold off the developers for a few more years.

Kerin Hope

SUCCESS
BREEDS SUCCESS

In 1975 Cyprus began offering innovative incentives to companies wishing to manage their international affairs from its shores. Among the first to take advantage of these incentives were a handful of pioneering enterprises such as MEPA INSURANCE, LINOTYPE-HELL, IMPACT/BBDO, KARDEX, SC JOHNSON and NCR.

Today more than 900 offshore enterprises conduct their regional or worldwide activities from fully-fledged offices on the island. Included among these are some of the world's best known multinationals!

Their success is our success!

For more information please contact:

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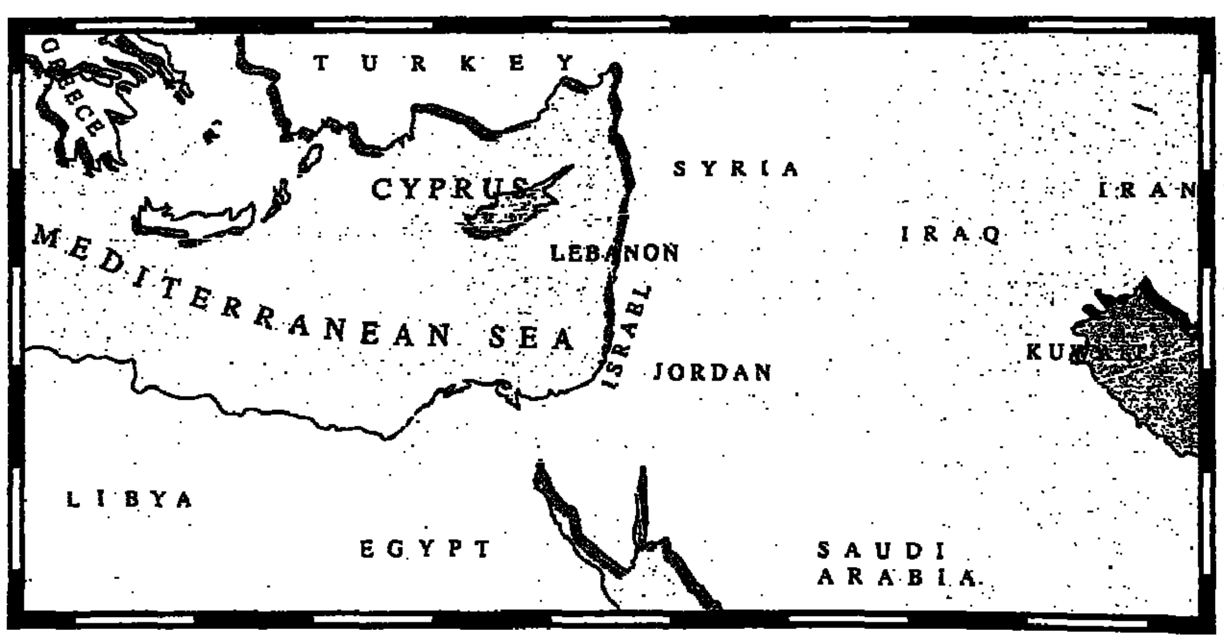

BEL CHEESE

Spie – Capag Equipment

YOUGO – ARAB CO

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AFP

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